BUDGETING, ACCOUNTING AND REPORTING SYSTEM (BARS)

For

Cities And Counties
And Other Local Governments
(Category 1)

Washington
State Auditor
Brian Sonntag

FOR CATEGORY 1 LOCAL GOVERNMENTS

Copies of this manual will be furnished
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DEDICATION

This edition of the BARS Manual is dedicated to the memory of

WILLIAM L. LAVAGNINO
(December 17, 1918 - September 22, 1983)

Bill pioneered the development of the Budgeting,
Accounting and Reporting System. Although he
was fiercely proud of the system, he advocated its
continual review and modification to meet the
needs of local governments.

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INTRODUCTION

This system of accounting is consistent with the accounting principles, fund classifications, and concepts recommended by the Governmental Accounting Standards Board (GASB). Additions have been made to comply with state law.

The chart of accounts and procedures contained in this manual must be used by all counties and cities and other local governments as prescribed by the State Auditor's Office (RCW 43.09.200).

The uniform system of accounts is best applied consistently throughout the budgeting, accounting, and reporting cycles. However, it is permissible to use a different system of numbers for internal accounting, so long as equivalent detail is maintained for reporting purposes.

Counties and cities are divided into two categories as follows:

> **Category 1** - Cities with populations of 25,000 or more, and counties with populations of 50,000 or more. Local governments in this category must use this chart of accounts for budgeting and reporting in conformity with generally accepted accounting principles (GAAP) as defined in the Glossary.
>
> **Category 2** - Cities and towns with populations under 25,000, counties with populations under 50,000 and all other local governments that use BARS, unless otherwise prescribed. Local governments in this category may follow single-entry accounting and cash-basis reporting procedures which are not intended to reflect financial condition and results of operations in conformance with GAAP.
>
> Category 2 municipalities may use the system prescribed for Category 1 municipalities.

Districts and utilities are categorized into two groups as follows:

> **Classified** - Utilities or districts having $2,000,000 or more in combined annual gross operating revenues. These entities are required to prepare financial statements in conformity with generally accepted accounting principles (GAAP) as defined in the Glossary. The accounts in the BARS Category 1 manual satisfy this requirement.
>
> Regulatory (and some other) accounting systems are acceptable if additional disclosures required by GAAP are provided. Refer to Part 1, Chapter 6 for a complete list of the other acceptable accounting systems.
>
> **Unclassified** - Utilities or districts having less than $2,000,000 in combined annual gross operating revenues. Entities in this category may follow single-entry accounting and cash-basis reporting procedures which are not intended to reflect financial condition and results of operations in conformance with GAAP. These entities may use the BARS Category 2 manual.[1]

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[1] If the utility receives Farmers Home Administration (FHA) grants or loans, the utility is required, by FHA, to either present financial statements in accordance with GAAP or to obtain an exemption from the FHA.

The FHA does not require the utility to have a full-accrual double-entry accounting system. Accounting records may be kept on a single-entry, cash basis. It is the utility choice which system of accounting to use in daily operations. Utilities can use the accountive system prescribed by an appropriate federal regulatory body or the full-accrual portions of the BARS Manual (Part 1, Chapters 5, 6 and 7).

The accounting procedures consist of prescribed rules for handling financial transactions that have general application for Washington municipalities. They are not intended to deal with all situations or circumstances and must be supplemented from a variety of other sources:

1 Subsystems and other prescribed systems of accounts.

2. Statutes, regulations, and local rules.

3. Generally accepted accounting principles (GAAP). These encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. Major sources of promulgated GAAP are provided in Part 3, Chapter 1.

DESIGN AND PRESCRIPTION

Applicability

The *Budgeting, Accounting and Reporting System* (BARS) must provide a complete record of financial transactions to ease preparation of the prescribed financial reports.

The prescribed chart of accounts represents an orderly means of classifying transactions. Only the accounts applicable to a particular entity should be used. This uniform system of accounts is best applied consistently throughout the budgeting, accounting and reporting cycles. However, it is permissible to use a different system of numbers for internal accounting, so long as equivalent detail is maintained for reporting purposes.

The following policies will govern the application of this accounting system by local governmental units classified as Category 1:

1. Double-entry accounting will be employed. This method requires that appropriate journals and ledgers be maintained to reflect the flow of financial transactions from the original source documents to the final posting. Journals provide a chronological history of financial transactions and a systematic means by which the transactions can be distributed and summarized for convenient posting to ledger accounts. Subsidiary ledgers provide detail necessary to support or supplement control accounts in the general ledger. The general ledger control accounts record financial information in summary form for the entity.

2. The modified accrual basis of accounting is mandatory for the general (current expense), special revenue, debt service, capital projects and permanent funds. See FLOW OF CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS in the Glossary.

3. The accrual basis of accounting is prescribed for enterprise, internal service, investment, pension (and other employee benefits), private-purpose and agency funds. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS is the Glossary.

4. The prescribed chart of accounts must be used for detail reporting of revenues and expenditures/expenses. If a different system of numbers is used for internal accounting, it must contain equivalent detail throughout the budgeting, accounting, and reporting processes.

DESIGN AND PRESCRIPTION

Account Code Structure

In the BARS structure a sixteen (16) digit code accommodates the various transactions. Of these 16 digits, 7 digits are fully reserved for the Account Number, which means that if you decide to use unassigned portions of this field for local purposes, you should be aware that additional account coding may be prescribed in the future which will supplant your local applications. (One exception: In the general ledger, the subelement digit is left for local applications; it will not be assigned required meanings.)

In addition to this seven digit Account Number, the Organizational Number includes a field of three digits for fund code, three digits for the program code, and three digits for the department code, for a total code structure of 16 digits. THE PARTICULAR CODES IN THE FUND, LOCAL OPTION FIELDS GENERALLY ARE ASSIGNED LOCALLY.

The account structure is designed to provide for complete identification of each transaction. The same Account Number is used for budgetary estimates and for actual resources or outlays.

❶	❷	❸	❹ ❺	❻	❼
P L L	L L L	L L L	P P P	P P	P P
Fund field	Local Option field	Local Option field	Prime and BASUB field	Element and subelement field	Object and subobject field

_____/ Organizational Number

_____/ Account Number

P = Specific coding is prescribed in the BARS manual.
L = The fields are established in the BARS manual, but specific numbers are assigned by each local government.

The first part of the account code is the ORGANIZATIONAL NUMBER indicating:

	Digits
Fund	xxx
Local Option	xxx
Local Option	xxx

The second part of the account code is the ACCOUNT NUMBER, consisting of:

	Digits
Prime Digit	x
Basic and Subaccount (BASUB)	xx
Element/Subelement	xx
Object/Subobject	xx

DESIGN AND PRESCRIPTION

The account code structure has the following components:

❶ **FUND CODE** - used to identify funds created and maintained for a particular purpose and having transactions subject to legal or administrative restrictions. (See Part 3, Chapter 1.)

General (Current Expense) Fund	000-099
Special Revenue Funds	100-199
Debt Service Funds	200-299
Capital Projects Funds	300-399
Permanent Funds	700-799
Enterprise Funds	400-499
Internal Service Funds	500-599
Investment Trust Funds	601-610
Pension (and Other Employee Benefit) Trust Funds	611-620
Private-Purpose Trust Funds	621-630
Agency Funds	631-699

❷ **LOCAL OPTION CODE** – The numbers are determined by each entity. The code may be used to identify a group of interdependent, closely related activities contributing to a common objective or a group of allied objectives. If used, they must have three digits, so "1" should be "001".

❸ **LOCAL OPTION CODE** – The numbers are determined locally. They may be used to identify distinct departments of the government. Also may be used in grant accounting to sequence grants from a single source. Like program numbers, if used, they must have three digits; i.e., department "1" or "23" should be "001" or "023".

❹ **PRIME DIGIT** - the first figure in the seven digit Account Number, assigned as follows:

1 (One) denotes an asset account.

2 (Two) denotes a liability or fund balance account. It also denotes budgetary and nominal control accounts.

3 (Three) denotes a revenue, nonrevenue, or other financing source detail (subsidiary) account.

4 Reserved.

5 (Five) denotes expenditure, nonexpenditure, or other financing use detail (subsidiary) account.

6 (Six) denotes an expense account in a proprietary fund, the prime digit six substituting for an entire expenditure BASUB/element. Used when the 5XX account field does not provide enough room for the needed detail.

7 (Seven), 8 (Eight) and 9 (Nine) are not being used as prime digits currently.

❺ BASIC/SUB (BASUB) CODES

Revenue - The numbers assigned to identify the source (origin or originating category) from which revenues are obtained.

Expenditure/Expense - The numbers assigned to identify different categories of operations from which expenditures/expenses are incurred.

❻ ELEMENT/SUBELEMENT CODES

Revenue - The numbers assigned to further identify specific types of revenues within a particular Basic/Sub category.

Expenditure/Expense - The numbers assigned to further identify specific types of activities related to the particular Basic/Sub category.

❼ OBJECT/SUBOBJECT CODES

Revenue - Generally, the numbers have not been defined, and are available for the additional coding by the entity. However, as the BARS manual is updated, it may be necessary to define these codes.

Expenditure/Expense - The numbers assigned to identify expenditures/expenses according to the character and the type of items purchased or services obtained.

Balance Sheet/General Ledger BASUB/ELEMENT CODES - The numbers assigned to identify accounts which classify, in summary form, all transactions of the accounting unit. The subelement digit is left for local use throughout the general ledger.

DESIGN AND PRESCRIPTION

MINIMUM LEVELS FOR REPORTING EXPENDITURES AND REVENUES

The following chart summarizes the amount of detail required.

Item Description	Example	EXPENDITURES[1/]
Fund	001	X
Local Option	000	Optional
Local Option	000	Optional
Prime Digit	500	X
Basic Account	510	X
Subaccount	514	X
Element	514.20	X
Subelement	514.23	Optional[2/]
Object	514.23.21	X
Subobject	514.23.21	Optional[2/]

Item Description	Example	REVENUES[1/]
Fund	001	X
Local Option	000	Optional
Local Option	000	Optional
Prime Digit	300	X
Basic Account	330	X
Subaccount	334	X
Element	334.03	X
Subelement	334.03	Optional[2/]
Object	334.03.1	Optional[2/]
Subobject	334.03.11	Optional[2/]

1/ For requirements in coding nonrevenues and nonexpenditures, see Part 1, Chapter 3 and Chapter 4.

2/ Except when specifically prescribed in the BARS manual.

DESIGN AND PRESCRIPTION

Revenue Account Numbering - EXAMPLE

Account codes are derived from the chart of accounts by selecting a series of numbers which describe a transaction. For example, assume that the police chief receives revenue from services at privately sponsored athletic events. The following steps show the procedure used to classify this information:

Step 1: Select a basic account which describes the source of the revenue. (See Part 1, Chapter 3, RESOURCE ACCOUNTS):

310.00	TAXES
320.00	LICENSES AND PERMITS
330.00.00	INTERGOVERNMENTAL REVENUES
340.00	CHARGES FOR GOODS AND SERVICES
350.00	FINES AND FORFEITS
360.00	MISCELLANEOUS REVENUES
370.00	PROPRIETARY/TRUST GAINS (LOSSES) AND OTHER INCOME
380.00	NONREVENUES
390.00	OTHER FINANCING SOURCES

Step 2: From the subaccounts shown under the basic account select the one which describes the type of charge.

340.00	CHARGES FOR GOODS AND SERVICES
341.00	GENERAL GOVERNMENT
342.00	SECURITY OF PERSONS AND PROPERTY
343.00	UTILITIES AND ENVIRONMENT
344.00	TRANSPORTATION
345.00	ECONOMIC ENVIRONMENT
346.00	MENTAL AND PHYSICAL HEALTH
347.00	CULTURE AND RECREATION
348.00	INTERNAL SERVICE FUND SALES AND SERVICES
349.00	INTERFUND/INTERDEPARTMENTAL - SALES AND SERVICES

Revenue Account Numbering (cont.)

Step 3: From the elements shown under the subaccount, 342.00 selected in Step 2, select the revenue element which describes the service rendered.

342.10	LAW ENFORCEMENT SERVICES
342.20	FIRE PROTECTION SERVICES
342.30	CHARGES FOR DETENTION AND CORRECTION SERVICES
342.40	PROTECTIVE INSPECTION FEES
342.50	EMERGENCY SERVICE FEES
342.60	AMBULANCE AND EMERGENCY AID FEES
342.70	JUVENILE SERVICES
342.80	COMMUNICATION SERVICES
342.90	OTHER

Expenditure Account Numbering - EXAMPLE

A similar procedure is used to classify expenditures. For example, assume that the information to be classified is the supplies for Police Department administrators. The following steps show the procedures used to locate the proper account number.

Step 1: Select the basic account under which the activities of the Police Department would normally fall. (See Part 1, Chapter 4, EXPENDITURES/USES)

510.00	GENERAL GOVERNMENT SERVICES
520.00	SECURITY OF PERSONS AND PROPERTY
530.00	UTILITIES AND ENVIRONMENT
540.00	TRANSPORTATION
550.00	ECONOMIC ENVIRONMENT
560.00	MENTAL AND PHYSICAL HEALTH
570.00	CULTURE AND RECREATION
580.00	NONEXPENDITURES
591-593	DEBT SERVICE
594-595	OTHER EXPENDITURES/EXPENSES
597-599	OTHER FINANCING USES

Step 2: Select a subaccount which describes the function of the Police Department.

520.00	SECURITY OF PERSONS AND PROPERTY
521.00	LAW ENFORCEMENT
522.00	FIRE CONTROL
523.00	DETENTION AND/OR CORRECTION
524.00	PROTECTIVE INSPECTIONS
525.00	EMERGENCY SERVICES
526.00	AMBULANCE, RESCUE AND EMERGENCY AID
527.00	JUVENILE SERVICES
528.00	COMMUNICATIONS, ALARMS AND DISPATCH

Expenditure Account Numbering (cont.)

Step 3: Select the element which identifies the function being performed.

521.00	LAW ENFORCEMENT. Those activities normally related to police services and the support of police services.
521.10	ADMINISTRATION
521.20	POLICE OPERATIONS
521.21	INVESTIGATION
521.22	PATROL
521.23	SPECIAL UNITS
521.24	LABORATORY
521.25	ENFORCEMENT OF GAMBLING ACT
521.30	CRIME PREVENTION
521.40	TRAINING
521.50	FACILITIES
521.70	TRAFFIC POLICING
521.90	OTHER SERVICES
521.91	PROPERTY ROOM
521.92	PROTECTION SERVICES

Step 4: Select an object which describes the purpose of the expenditure. (See Part 1, Chapter 4, CLASSIFICATION OF EXPENDITURES BY OBJECT)

30	SUPPLIES
31	Office and Operating Supplies
32	Fuel Consumed
33	Power, Water, Gas Purchased for Resale
34	Supplies Purchased for Inventory or Resale
35	Small Tools and Minor Equipment

BARS UNIFORM CHART OF ACCOUNTS
GENERAL LEDGER

As explained in Chapter 1 of this part, the specific account numbers contained in this chapter are not prescribed, as long as equivalent detail is maintained. However, this general ledger has been carefully designed to meet several needs.

First, the accounts provide for detailed identification of each type of asset, liability, and fund balances and net assets that any local government fund might acquire. The accounts have been carefully compared with the uniform systems prescribed by federal regulatory agencies to assure that any required segregation is provided for and detailed conversion charts are available (use the order form provided in Part 4, Chapter 9). Throughout the general ledger, the fifth and subsequent digits have been left for local governments to use in establishing more detailed breakdowns where needed. Part 1, Chapter 5 offers a complete detailed chart of fixed asset subaccounts which local governments may optionally adopt to meet their needs.

Second, the general ledger has been designed to permit logical summarization of the detailed accounts at various levels. The table which follows on the next few pages illustrates in detail the structure of the general ledger. In general, the outline is as follows:

100-19X			**ASSETS**	200-26X		**LIABILITIES**
	110-14X		Current Assets		210-23X	Current Liabilities
		11X	Cash and Investments		24X	Payable from Restricted Assets
		120-13X	Receivables		250-26X	Long-Term Payables
		14X	Other Current Assets			
	15X		Restricted Assets	280-285		**FUND BALANCES AND NET ASSETS**
	160-19X		Non-Current Assets		281-282	Fund Balance
		16X	Receivables		283-285	Net Assets
		170-18X	Capital Assets			
		19X	Other Non-Current Assets	29X		**CONTROL ACCOUNTS**

Third, the comprehensiveness of the general ledger combined with the uniform summarization outlined above is designed to make the preparation balance sheets a simple matter of extracting the balances at the same Basub level for all the funds of a government. The headings on the chart which begins on the next page identify which digits to sort or summarize by for reporting purposes. The presentation of the balance sheet is structured in similar manner as the general ledger accounts.

- The PRIME (first) digit identifies whether the account is an asset or a liability/fund balance or net asset account (e.g., 1 or 2).

- The BASIC (second) digit is used to categorize the major classification of assets, liabilities, fund balance, and net asset. The outline on the previous page identifies these major classifications, which are used as subheadings on the balance sheet.

- The SUBACCOUNT (third) digit defines the reporting level for all assets and liabilities. In the fund balances/net assets section, some subaccounts are combined for reporting purposes: accounts 271-274, 276-278, and 281-283.

- The ELEMENT (fourth) digit defines the prescribed accounting detail in the BARS general ledger. Ordinarily, this level of detail is not shown on the financial statements.

Finally, the BARS general ledger contains a set of optional control accounts that can be used to monitor budgetary and actual revenue and expenditure/expense account balances. These accounts summarize subsidiary ledger transactions and, depending on the amount of subelement detail that a government elects to use, these control accounts will segregate and classify those transactions as they occur. The budgetary control accounts (291) provide a convenient summary of the total budget of a fund and of the amendments that have been made since the original budget was adopted. Much of the subelement segregation illustrated in the control accounts can be automated by establishing rules by fund or fund type for which subsidiary accounts are summarized in each control account. Updating these control accounts, operating statements, and transferring the balance to the actual fund balance/net asset accounts in the 270-280 series can then be done automatically as the subsidiary ledgers are posted.

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
ASSETS:	100-19X			
CURRENT ASSETS:	110-14X			
CASH AND CASH EQUIVALENTS				
Cash				
Cash in Treasury Pool Investments (Optional)			111.10	
Petty Cash		111.	111.40	
Change Funds (Optional)			111.70	111.71
Advance Travel (Optional)				111.74
Other Imprest Funds (Optional)				111.77
DEPOSITS WITH FISCAL AGENTS/TRUSTEES				
Deposits with Internal Fiscal Agency (Optional)			115.10	
Cash (Optional)				115.11
Investments (Optional)				115.12
Deposits with External Fiscal Agents			115.20	
Cash (Optional)				115.21
Investments (Optional)				115.22
Deposits with Internal Bond Refunding Trustee (Optional)			115.40	
Cash (Optional)		115.		115.41
Investments (Optional)				115.42
Deposits with External Bond Refunding Trustees			115.50	
Cash (Optional)				115.51
Investments (Optional)				115.52
Other Internal Trusts (Not in Treasury)			115.70	
Court Trust (Optional)				115.71
Prisoners Cash (Optional)				115.72
Other External Trusts			115.90	
Escrow Accounts (Optional)				115.92
INVESTMENTS		118.		

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
CURRENT RECEIVABLES (NET OF ALLOWANCES FOR UNCOLLECTIBLES):	120-13X			
TAXES RECEIVABLE (NET)		121.		
Taxes Receivable (Current Portion)			121.10	
Taxes Receivable (Delinquent)			121.30	
Interest Receivable on Taxes (Optional Segregation)			121.50	
Penalties Receivable on Taxes (Optional Segregation)			121.70	
Allowance for Uncollectibles (Credit)			121.90	
CUSTOMER ACCOUNTS RECEIVABLE (NET)		122.		
Accounts Receivable			122.10	
Unbilled Receivables			122.70	
Allowance for Uncollectibles (Credit)			122.90	
SPECIAL ASSESSMENTS RECEIVABLE		123.		
Assessment Receivable (Current Portion)			123.10	
Assessment Receivable (Delinquent)			123.30	
Interest Receivable on Assessments			123.50	
Penalties Receivable on Assessments			123.70	
INTEREST RECEIVABLE		124.		
NOTES/CONTRACTS RECEIVABLE (CURRENT PORTION)		125.		
OTHER CURRENT RECEIVABLES (NET)		126.		
Receivable from Developers			126.10	
Rent Receivable			126.20	
Other			126.40	
Allowance for Uncollectibles (Credit)			126.90	

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
DUE FROM OTHER FUNDS		131.		
INTERFUND LOANS RECEIVABLE		132.		
DUE FROM OTHER GOVERNMENTS		134.		
DUE FROM COMPONENT UNITS		135.		
DUE FROM PRIMARY GOVERNMENT		136.		
OTHER CURRENT ASSETS:	14X			
INVENTORIES		141.		
Merchandise			141.10	
Raw Materials			141.40	
Finished Goods			141.70	
PREPAYMENTS		143.		
Insurance			143.10	
Operating Supplies			143.40	
Other Prepayments			143.70	
OTHER CURRENT ASSETS		145.		
Work in Process			145.10	
Raw Materials Put in Process (Optional)				145.11
Direct Labor (Optional)				145.13
Equipment Charges (Optional)				145.15
Contracted Services (Optional)				145.17
Other Overhead (Optional)				145.19
Other			145.40	
RESTRICTED ASSETS:	15X			
DEBT SERVICE, DEPOSITS AND REPLACEMENTS		151.		
Cash and Cash Equivalents			151.10	
Investments			151.20	
Utility Special Assessments - Current			151.40	
Utility Special Assessments - Delinquent			151.50	
Utility Special Assessments - Interest			151.60	
Utility Special Assessments - Penalties			151.70	
Other			151.90	
LANDFILL				
Closure and Postclosure Care Costs		152.		
CONSTRUCTION ACCOUNTS		155.		
Cash and Cash Equivalents			155.10	
Investments			155.20	
Other			155.90	

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
NON-CURRENT ASSETS:	160-19X			
RECEIVABLES	16X			
SPECIAL ASSESSMENTS - DEFERRED		161.		
NOTES/CONTRACTS RECEIVABLE		163.		
ADVANCES TO OTHER FUNDS		165.		
INVESTMENT IN JOINT VENTURES (NET)		167.		
CAPITAL ASSETS (NET)	170-18X		See Part 1, Chapter 5, For Separate Optional Listing of Element and Subelement Detail	
LAND (NET) Accumulated Depletion (Credit)		171.	171.90	
BUILDINGS AND STRUCTURES (NET) Accumulated Depreciation (Credit)		172.-173.	173.90	
CAPITAL LEASES (NET) Accumulated Depreciation (Credit)		174.	174.90	
LEASEHOLD IMPROVEMENTS (NET) Accumulated Amortization (Credit)		175.	175.90	
OTHER IMPROVEMENTS (NET) Accumulated Depreciation (Credit)		176.-179.	179.90	
MACHINERY AND EQUIPMENT (NET) Accumulated Depreciation (Credit)		181.-188.	188.90	
CONSTRUCTION IN PROGRESS		189.		

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
OTHER NON-CURRENT ASSETS:	19X			
INTANGIBLE ASSETS (NET)		191.		
Plant Acquisition Adjustments			191.10	
Franchises and Licenses			191.30	
Computer Software			191.50	
Other			191.70	
Accumulated Amortization (Credit)			191.90	
OTHER NONCURRENT ASSETS (NET)		193.		
Investments			193.10	
Unamortized Premiums on Investments				193.11
Unamortized Discounts on Investments (Credit)				193.12
Property Held in Trust or for Future Use			193.40	
Capital Assets Held for Resale			193.70	
Accumulated Depreciation/Amortization (Credit)			193.90	
DEFERRED CHARGES		195.		
Preliminary Surveys and Investigations			195.10	
Unamortized Debt Issuance Costs			195.30	
Extraordinary and Other Deferred Property Losses			195.50	
Other			195.70	
Accumulated Amortization (Credit)			195.90	
OTHER DEBITS*		197.		
Amount Available in Debt Service Funds			197.10	
Amount to be Provided			197.40	
General Long-Term Debt				197.41
Landfill Closure and Postclosure Care Costs				197.42

* The general long-term debt is no longer reported in the fund financial statements. The GASB Statement 34 eliminated the general long-term debt account group for reporting purposes. The information previously presented in this group is being reported in the government-wide financial statements. The local government may still use these accounts for accounting purposes, however, amounts in these accounts may need to be appropriately adjusted before their inclusion into the financial statements.

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
LIABILITIES AND FUND BALANCES/NET ASSETS:	200-29X			
LIABILITIES:	200-26X			
CURRENT LIABILITIES:	210-23X			
WARRANTS PAYABLE		211.		
ACCOUNTS/VOUCHERS PAYABLE		213.		
Accounts Payable			213.10	
Vouchers Payable			213.40	
CLAIMS AND JUDGMENTS PAYABLE		215.		
MATURED LONG-TERM OBLIGATIONS		217.		
G.O. Bonds Payable			217.10	
Revenue Bonds Payable			217.20	
Special Assessment Bonds Payable			217.30	
Revenue Warrants Payable			217.40	
Leases and Installment Purchases Payable			217.50	
Other			217.90	
MATURED INTEREST PAYABLE		219.		
ANNUITIES PAYABLE		221.		
CONTRACTS PAYABLE		223.		
Construction Contracts Payable			223.10	
Retainage Payable			223.40	
Interest on Contracts Payable			223.70	
Other Contracts Payable			223.90	
DUE TO OTHER FUNDS		225.		
DUE TO COMPONENT UNITS		226.		
INTERFUND LOANS PAYABLE		227.		
DUE TO PRIMARY GOVERNMENT		228.		
DUE TO OTHER GOVERNMENTS		229.		

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
OTHER ACCRUED LIABILITIES		231.		
Interest Payable			231.10	
Arbitrage Rebate Tax Payable			231.20	
Accrued Wages			231.30	
Accrued Employee Benefits			231.50	
Accrued Taxes			231.70	
Other			231.90	
REVENUES COLLECTED IN ADVANCE		233.		
Advance Payments of Special Assessments			233.30	
CURRENT PORTION OF LONG-TERM OBLIGATIONS		235.		
G.O. Bonds Payable			235.10	
Revenue Bonds Payable			235.20	
Special Assessment Bonds Payable			235.30	
Revenue Warrants Payable			235.40	
Leases and Installment Purchases Payable			235.50	
Other Notes Payable			235.70	
Other			235.90	
CUSTODIAL ACCOUNTS		237.		
OTHER CURRENT LIABILITIES		239.		
Customer Deposits (Nonproprietary)			239.10	
Anticipation Warrants/Notes			239.60	
Other			239.90	
PAYABLE FROM RESTRICTED ASSETS:	24X			
DEBT PRINCIPAL PAYABLE		241.		
Revenue Bonds Payable			241.10	
Other Bonds Payable			241.20	
Notes and Warrants Payable			241.40	
DEBT INTEREST PAYABLE		242.		
DEPOSITS AND OTHER PAYABLES		245.		
Deposits Payable			245.10	
Advance Payments of Special Assessments			245.30	
Other			245.90	

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
LONG-TERM LIABILITIES:	250-26X			
GENERAL OBLIGATION BONDS PAYABLE (NET)		251.		
Bonds at Face Value (for Capital Purposes)			251.10	
No Vote Required				251.11
Vote Required				251.12
Advance Refunding - Defeasance Method				251.15
Advance Refunding - Crossover Method				251.16
Unamortized Premium			251.20	
Unamortized Discount (Debit)			251.30	
Bonds at Face Value (for M&O Purposes)			251.40	
No Vote Required				251.41
Vote Required				251.42
Advance Refunding - Defeasance Method				251.45
Advance Refunding - Crossover Method				251.46
Deferred Amount on Refunding			251.50	
Advance Refunded G.O. Bond Issues			251.90	
REVENUE BONDS PAYABLE (NET)		252.		
Bonds at Face Value (for Capital Purposes)			252.10	
No Vote Required				252.11
Vote Required				252.12
Advance Refunding - Defeasance Method				252.15
Advance Refunding - Crossover Method				252.16
Unamortized Premium			252.20	
Unamortized Discount (Debit)			252.30	
Bonds at Face Value (for M&O Purposes)			252.40	
No Vote Required				252.41
Vote Required				252.42
Advance Refunding - Defeasance Method				252.45
Advance Refunding - Crossover Method				252.46
Deferred Amount on Refunding			252.50	
Advance Refunded Revenue Bond Issues			252.90	
SPECIAL ASSESSMENT BONDS PAYABLE (NET)		253.		
Special Assessment Bonds at Face Value			253.10	
LID Bonds				253.11
ULID Bonds				253.12
RID Bonds				253.13
Other Special Improvement Bonds				253.14
Advance Refunding - Defeasance Method				253.15
Advance Refunding - Crossover Method				253.16
Unamortized Premium			253.20	
Unamortized Discount (Debit)			253.30	
Deferred Amount on Refunding			253.50	
Advance Refunded Special Assessment Bond Issues			253.90	

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
ADVANCES FROM OTHER FUNDS		255.		
DEFERRED REVENUE		257.		
COMPENSATED ABSENCES		259.		
OTHER NONCURRENT LIABILITIES		263.		
Claims and Judgments Payable			263.10	
Liability for Landfill Closure and Postclosure Care Costs			263.20	
Utility Operating Reserves			263.30	
Revenue Warrants Payable			263.40	
Leases and Installment Purchases			263.50	
Notes Payable			263.60	
Arbitrage Rebate Tax Payable			263.70	
Due to Other Governments			263.80	
Miscellaneous Noncurrent Liabilities			263.90	
DEFERRED CREDITS		267.		

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
FUND BALANCES AND NET ASSETS:	270-29X			
INVESTMENT IN GENERAL FIXED ASSETS:*	276-278			
FROM FEDERAL GRANTS		276.	Use Grant Codes To Identify Specific Source (Optional)	
FROM STATE AND INTERLOCAL GRANTS		277.		
FROM OTHER SOURCES				
General Fund		278.	278.40	
Special Revenue Funds			278.50	
G.O. Bonds			278.60	
Special Assessments			278.70	
Private Contributions			278.80	
Other Sources			278.90	

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Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
FUND BALANCE:	281-282			
Reserved for Encumbrances			281.10	
Reserved for Continuing Appropriations			281.30	
Reserved for Debt Service			281.50	
Reserved for Loans/Advances Receivable			282.10	
Reserved for Unrealized Earnings on Investments			282.20	
Reserved for Inventories			282.30	
Reserved for Prepaid Items			282.50	
Reserved for Endowment Principal			282.70	
Reserved for Arbitrage Rebate Tax			282.80	
Other Reserves			282.90	
NET ASSETS	283-285			
Net Assets Held in Trust for Pension Benefit			283.10	
Net Assets Held in Trust for Pool Participants			283.20	
Net Assets Held in Trust for Other Purposes			283.90	
Invested in Capital Assets, Net of Related Debt			284.10	
Net Assets, Restricted for _____			284.20	
Net Assets, Restricted for _____, Permanent Restriction				284.21
Net Assets, Restricted for _____, Temporary Restriction				284.22
Net Assets, Unrestricted		285.		
UNRESERVED DESIGNATED FUND BALANCE		287.		
Designated for Capital Purposes			287.10	
Designated for Insurance			287.20	
Designated for Unrealized Investment Earnings			287.30	
Designated for Other Purposes			287.90	
UNRESERVED UNDESIGNATED FUND BALANCE		288.		

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
CONTROL ACCOUNTS:	29X			
NOMINAL ACCOUNTS CONTROL - BUDGETARY		291.		
Estimated Revenue Control			291.10	
Estimated Operating Revenue Control				291.11
Estimated Non-Operating Revenue Control				291.14
Estimated Other Revenue Control				291.17
Appropriation/Expense Control			291.20	
Estimated Operating Expense Control				291.21
Estimated Non-Operating Expense Control				291.24
Estimated Other Expenses Control				291.27
Estimated Other Financing Sources Control			291.30	
Estimated Other Financing Uses Control			291.40	
Estimated Noncash Transactions Affecting Income (Proprietary Funds Only, Optional)			291.50	
Estimated Inventory Purchases				291.51
Estimated Prepayments				291.53
Estimated Work in Process				291.55
Estimated Beginning Fund Balance Control			291.70	
Estimated Beginning Reserved Fund Balance				291.71
Estimated Beginning Unreserved Fund Balance				291.74
Estimated Ending Fund Balance Control			291.80	
Estimated Ending Reserved Fund Balance				291.81
Estimated Ending Unreserved Fund Balance				291.84

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
NOMINAL ACCOUNTS CONTROL - ACTUAL		292.		
Revenue Control Operating Revenue Control Nonoperating Revenue Control Other Revenue Control			292.10	 292.11 292.14 292.17
Expenditure/Expense Control Operating Expense Control Nonoperating Expense Control Other Expenses Control			292.20	 292.21 292.24 292.27
Other Financing Sources Control			292.30	
Other Financing Uses Control			292.40	
Noncash Transactions Affecting Income (Proprietary Funds Only, Optional) Inventory Purchases Control Prepayments Control Work in Process Control			292.50	 292.51 292.53 292.55
Beginning Fund Balance Control Beginning Reserved Fund Balance Beginning Unreserved Fund Balance			292.70	 292.71 292.74
Ending Fund Balance Control Ending Reserved Fund Balance Ending Unreserved Fund Balance			292.80	 292.81 292.84

Report Headings And Account Names	1 & 2 Report Heading (Prime Or Basic Digit)	3 Report Accounts (Sub-Digit)	4 Detail Accounts (Element Digit)	5 Optional Detail Accounts (Sub-element Digit)
ENCUMBRANCE CONTROL		295.		
LIFE-TO-DATE ACCOUNTS CONTROL - BUDGETARY Grants/Projects Authorized Continuing Grants/Projects Appropriations		296.	 296.10 296.20	
LIFE-TO-DATE ACCOUNTS CONTROL - ACTUAL Life-To-Date Resources Earned Life-To-Date Expenditures/Uses Project/Grant Contra		297.	 297.10 297.20 297.30	
NET ASSETS – GENERAL GOVERNMENT		298.		

110 - 14X CURRENT ASSETS

Those assets which will be used up or converted into cash within the next operating cycle (e.g., twelve months).

111. CASH AND CASH EQUIVALENTS

111.10 CASH

Money, negotiable money orders and checks, and balances on deposit with financial institutions after deducting outstanding checks. Include deposits in transit. Do not include petty cash items (see below). Also, for reporting purposes, do not include proprietary fund cash that may be used only for non-current purposes (account 150, *Restricted Assets*). Do not include time deposits or pass book savings accounts. Compensating balances should be disclosed parenthetically or in a note.

111.40 CASH IN TREASURY POOL INVESTMENTS (OPTIONAL)

This account provides for optional segregation of those amounts of money not invested for a specific fund but included in treasury surplus and invested on behalf of the municipality.

111.70 PETTY CASH

Any sum of money or other resources set aside for such specific purposes as minor disbursements, making change, and similar uses.

111.71 Change Funds (Segregation Optional)
111.74 Advance Travel (Segregation Optional)
111.77 Other Imprest Funds (Segregation Optional)

115. DEPOSITS WITH FISCAL AGENTS/TRUSTEES

115.10 DEPOSIT WITH INTERNAL FISCAL AGENCY (OPTIONAL)

This account provides for optional segregation of moneys set aside within the treasury to pay matured bonds and interest.

115.11 Cash (Segregation Optional)
115.12 Investments (Segregation Optional)

115.20 DEPOSITS WITH EXTERNAL FISCAL AGENTS

Deposits with fiscal agents, such as commercial banks, for the payment of matured bonds and interest.

115.21 Cash (Segregation Optional)
115.22 Investments (Segregation Optional)

115.40 DEPOSIT WITH INTERNAL BOND REFUNDING TRUSTEE

This account provides for optional segregation of moneys set aside within the treasury to invest and accumulate for eventual payment of interest and principal on refunded bonds when called or matured. Do not include any amounts in these accounts in the financial statements. See Part 3, Chapter 9, Section F.

115.41 Cash (Segregation Optional)
115.42 Investments (Segregation Optional)

115.50 DEPOSITS WITH EXTERNAL BOND REFUNDING TRUSTEES

Deposits with bond refunding trustees, such as commercial banks, to invest and accumulate for eventual payment of interest and principal on refunded bonds when called or matured. Do not include any amounts in these accounts on the financial statements. See Part 3, Chapter 9, Section F.

115.51 Cash (Segregation Optional)
115.52 Investments (Segregation Optional)

115.70 OTHER INTERNAL TRUSTS (NOT IN TREASURY)

Moneys held by municipal officials outside the main treasury on behalf of private individuals or organizations, or until ultimate disposition is determined. Include both cash and investments.

115.71 Court Trust (Segregation Optional)
115.72 Prisoner's Cash (Segregation Optional)

115.90 OTHER EXTERNAL TRUSTS

Deposits with fiduciaries including banks, brokers and insurance companies made on behalf of private individuals or organizations.

115.92 Escrow Accounts (Segregation Optional)

118. INVESTMENTS

Include all securities and other assets acquired primarily for the purpose of obtaining income or profit. Investments should be reported at **fair value** (for exceptions see the GASB Statement 31).

Investments with original maturities of three months or less may be considered cash equivalents and accounted for in the G.L. account 111.

Do not include investments restricted for specific purpose in proprietary funds (see account 150). Purchased interest should be posted to the revenue account 361.90 (G.L. account 292.10).

You may use unassigned element/subelement (fourth and fifth digits) to establish more detailed breakdowns for the accounting purposes.
(Example:

118.10 Investments at Cost
118.20 Adjustment for Fair Value
Etc.)

121. TAXES RECEIVABLE (NET)

121.10 TAXES RECEIVABLE (CURRENT PORTION)

The uncollected portion of property taxes which a government has levied and for which the due date has not yet passed. Also include any amounts of other uncollected taxes (see BARS 310 series) that are measurable and available. Do not include interfund receivables (see account 131).

121.30 TAXES RECEIVABLE (DELINQUENT)

Taxes remaining unpaid on and after the date on which interest is assessed or a penalty for nonpayment attached. This segregation from current taxes is required only for the municipality which is the tax collection agent.

121.50 INTEREST RECEIVABLE ON TAXES (OPTIONAL SEGREGATION)

The uncollected portion of interest receivable on taxes. Include accruals to the end of the fiscal period.

121.70 PENALTIES RECEIVABLE ON TAXES (OPTIONAL SEGREGATION)

The uncollected portion of penalties receivable on taxes. Include accruals to the end of the fiscal period. Penalties assessed for failure to list personal property must be separately identified since they are distributed with taxes rather than remitted to the county general (current expense) fund (RCW 84.56.020(3)).

121.90 ALLOWANCE FOR UNCOLLECTIBLES (CREDIT)

A valuation account used to indicate that portion of taxes and related interest and penalties which it is estimated will never be collected.

122. CUSTOMER ACCOUNTS RECEIVABLE (NET)

122.10 ACCOUNTS RECEIVABLE

Amounts due from customers on open account for goods and services provided. If collections will be deferred beyond one year, such amounts should be offset by a deferred revenue entry.

122.70 UNBILLED RECEIVABLES

Amounts earned by the entity for goods or services furnished to private individuals or organizations for which billings have not been prepared at the end of the reporting period.

122.90 ALLOWANCE FOR UNCOLLECTIBLES (CREDIT)

A valuation account used to indicate that portion of customer accounts which it is estimated will never be collected and will eventually be written off.

123. SPECIAL ASSESSMENTS RECEIVABLE

123.10 ASSESSMENTS RECEIVABLE (CURRENT PORTION)

The uncollected portion of special assessments which a governmental unit has levied and which are due within 60 days (for governmental funds). Exclude interfund assessments which should be reported in account 131. Also exclude any assessment accounted for in a proprietary fund, which should be reported in account 151.40.

123.30 ASSESSMENTS RECEIVABLE (DELINQUENT)

The uncollected portion of special assessments which are past due. Exclude interfund assessments, which should be reported in account 131. Also exclude any assessment accounted for in a proprietary fund, which should be reported in account 151.50.

123.50 INTEREST RECEIVABLE ON ASSESSMENTS

The uncollected portion of interest receivable on special assessments in governmental funds. (Use account 151.60 for proprietary funds).

123.70 PENALTIES RECEIVABLE ON ASSESSMENTS

The uncollected portion of penalties receivable on special assessments in governmental funds. (Use account 151.70 for proprietary funds).

124. INTEREST RECEIVABLE

Interest earned on investments, notes, contracts and miscellaneous receivables. Do not include interest on taxes or special assessments. (See accounts 121.50 and 123.50).

125. NOTES/CONTRACTS RECEIVABLE (CURRENT PORTION)

Current amounts due from private individuals or organizations evidenced by a written promise to pay. In governmental funds, use the account only for that portion due by the end of the current fiscal period; in proprietary funds, use this account for that portion due within the next 12 months.

126. OTHER CURRENT RECEIVABLES (NET)

126.10 RECEIVABLE FROM DEVELOPERS

Amounts of impact or developers fees or reimbursable charges for services receivable from private developers.

126.20 RENT RECEIVABLE

126.40 OTHER

126.90 ALLOWANCE FOR UNCOLLECTIBLES (CREDIT)

131. DUE FROM OTHER FUNDS

A receivable for goods issued, work performed or services rendered to or for the benefit of another fund of the same government. Also use this account for subsidies and other transfers between funds that have been authorized but not yet paid. The owing fund should have an equal amount recorded under account 225. Includes receivables between a primary government and blended component units.

132. INTERFUND LOANS RECEIVABLE

The uncollected amounts of interfund loans. See Part 3, Chapter 4, Section A for further definition.

134. DUE FROM OTHER GOVERNMENTS

Amounts due to the reporting government from another government. These amounts may represent measurable and available intergovernmental grants, entitlements, or shared revenues; grants or taxes collected for the reporting government by an intermediary collecting government; loans; and charges for services rendered by the reporting unit for another government. Receivables for services that are not governmental in nature, such as insurance, utilities, rents, repairs, and supplies, should not be included here. Use account 122.

135. DUE FROM COMPONENT UNITS

Amounts due to the reporting entity from discretely presented component units. The receivables from blended component units are presented in 131. Some transactions and balances previously recorded in 131 or 134 may need to be reclassified for presentation in the reporting entity (primary government) financial statements. The owing component unit(s) should have an equal amount recorded in 228. For details, see Part 3, Chapter 12, Interpretation 14.

136. DUE FROM PRIMARY GOVERNMENT

Amounts due to the discretely presented component unit(s) from the primary government. The owing reporting entity (primary government) should have an equal amount recorded in 226. For details, see Part 3, Chapter 12, Interpretation 14.

141. INVENTORIES

Use this account for the cost of all stock-in-trade items acquired for sale to private individuals, to other governments, or to other funds and departments. Also include the cost of stockpiled raw materials for use in manufacture and the cost of finished goods manufactured by your government for sale. (Use account 145 to accumulate the costs of manufacturing these items.) The accounts may be subdivided to distinguish different kinds or grades of inventories, or a subsidiary ledger may be used.

General administrative and office supplies which will be consumed in routine operations should not be included in this account (see account 143.40). Merchandise and materials that are put to use as soon as they are acquired need not be charged to this account; however, all WORK IN PROCESS should be closed to 141.7X and expensed from there.

141.10 MERCHANDISE

Generally, goods supplied from vendors in the form and condition they will be used.

141.40 RAW MATERIALS

This account includes material that may be used in a manufacturing process or "as is", such as lumber, paint, and rock.

141.70 FINISHED GOODS

This account is used for completed items that have been manufactured by your government (see account 145).

143. PREPAYMENTS

143.10 INSURANCE

Unexpired portion of insurance premiums (it is not necessary to record insurance prepayments except in proprietary funds).

143.40 OPERATING SUPPLIES

Cost of stationery and office supplies held for use in routine operations. Use this account only if material amounts of supplies are on hand at the end of the reporting period. Do not include supplies acquired for sale (see account 141.10). For governmental funds, the offsetting credit is the account 282.50, *Reserve for Prepaid Items*. Note that the expenditure should not be reversed.

143.70 OTHER PREPAYMENTS

145. OTHER CURRENT ASSETS

145.10 WORK IN PROCESS

This account is used to accumulate the costs of manufacturing items for resale to private individuals, other governments, or other funds and departments. It is not used for capital construction (see 189.). Items manufactured for immediate internal use need not be charged to this account.

The various optional subaccounts are used to segregate the total costs to produce such items as crushed rock, asphalt, road signs, rebuilt parts, printing jobs, and other merchandising, jobbing and contract work. When the manufacturing process is complete, the total costs should be transferred to account 141.7X. For financial reporting, include all incomplete work orders not classified as construction in progress.

The accounts may be subdivided to distinguish different types of projects, or a subsidiary work order system may be used.

145.11 Raw Materials Put In Process (Segregation Optional)
Include materials used in manufacture, either transferred from account 141.4X or directly purchased as they are needed.

145.13 Direct Labor (Segregation Optional)
Include labor costs incurred by your government and related fringe benefits.

145.15 Equipment Charges (Segregation Optional)
Include rental charges on equipment, whether paid to another department or fund or to an outside vendor.

145.17 Contracted Services (Segregation Optional)
Include payments to vendors which do part or all of the processing of raw materials owned by your government. Examples include contracts for crushing rock from government-owned quarries and printing or fabrication jobs where part of the work is done in-house and part by an outside contractor.

145.19 Other Overhead (Segregation Optional)
Include the cost of services and supplies other than those which may be properly included in the foregoing accounts. When labor or equipment rates include overhead, there is no need to accumulate a separate amount to charge to this account.

145.40 OTHER

150. RESTRICTED ASSETS

Restricted assets are those proprietary fund monetary assets which have their use limited by statute, bond covenant, or other contractual or trust relationship. For reporting purposes, restricted assets must be shown in account 150, although they may be accounted for during the year in separate funds, using current asset accounts (111, 118, 123, etc.). Separate funds are not required for restricted assets, even though bond covenants may stipulate a "bond reserve fund," "construction fund," etc. The bond covenant use of the term "fund" is not the same as the use in governmental accounting. For bond covenants, "fund" means only a segregation or separate account, not a self-balancing set of accounts. Most restricted assets are offset by corresponding current liabilities (account 240, *Payable From Restricted Assets*) or by a restriction of net assets (account 285). The common exception is bond proceeds received for construction purposes, which are separately categorized as "construction account" restricted assets and for which there is no offsetting current liability or net assets.

It is not necessary to include cash with fiscal agents in the restricted assets category. There's nothing wrong with having two cash with fiscal agent accounts, but it is not necessary either. These amounts are offset by matured payables and the BARS treats both fiscal agent cash and related payables as current items in all funds, because the account titles are sufficient to indicate the limited use of the assets.

Assets restricted for debt service should include moneys set aside to pay current principal and interest on outstanding debt and moneys earmarked for deficiencies or contingencies and normally not used until the final retirement of the debt issue. "Deposits" include customer deposits on hookups and meters must be offset by account 245.10. "Replacement" accounts include renewal, replacement and emergency moneys that covenants or agreements require to be set aside.

151. RESTRICTED ASSETS - DEBT SERVICE, DEPOSITS AND REPLACEMENTS

151.10	CASH AND CASH EQUIVALENTS
151.20	INVESTMENTS
151.40	UTILITY SPECIAL ASSESSMENTS - CURRENT
151.50	UTILITY SPECIAL ASSESSMENTS - DELINQUENT
151.60	UTILITY SPECIAL ASSESSMENTS - INTEREST
151.70	UTILITY SPECIAL ASSESSMENTS - PENALTIES
151.90	OTHER

152. RESTRICTED ASSETS - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (RCW 70.95.215)

155. RESTRICTED ASSETS - CONSTRUCTION ACCOUNTS

155.10	CASH AND CASH EQUIVALENTS
155.20	INVESTMENTS
155.90	OTHER

160 - 19X NON-CURRENT ASSETS

161. SPECIAL ASSESSMENTS - DEFERRED

The uncollected portion of special assessments not due for 60 days (governmental funds) or l year (proprietary funds). Exclude interfund assessments which should be reported in account 165. In assessments accounted for in proprietary funds, make certain that all collections are recorded as restricted assets. The current portion and related interest and penalties should be recorded in account 123 (for governmental funds) or account 151 (for proprietary funds).

163. NOTES/CONTRACTS RECEIVABLE

Noncurrent amounts due from private individuals or organizations evidenced by a written promise to pay, including receivables on capital and financing leases. The current portion should be recorded in account 125.

165. ADVANCES TO OTHER FUNDS

The uncollected amounts of long-term interfund loans; that is, loans which do not meet the criteria of "temporary" defined in the BARS, Part 3, Chapter 4, Section A. Also include the amount of deferred assessments owed by other funds of the same government.

167. INVESTMENT IN JOINT VENTURES (NET)

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an on going financial interest or (b) an ongoing financial responsibility. The municipality's investment should be accounted for using the equity method, if the investment is material.

170. - 189. CAPITAL ASSETS

Those assets acquired by the municipal corporation for its own use through purchase, lease, self-construction, donation, or gift, with a life expectancy of more than one year. In addition to land, buildings and equipment, capital assets also include land and air rights, depletable resources such as minerals or timber, improvements made to rented property and the cost of partly-completed capital projects.

In regulated utilities and certain other enterprise funds, plant facilities are primarily classified as to mode (facility type), e.g., source of supply, treatment plant, etc. Within these modes, the assets are segregated into categories of land, buildings, equipment, and other improvements. In the BARS, this scheme is reversed so that all the capital assets of a government can be classified the same way. In the optional detail accounts, the 5th digit can be used by utilities to identify plant-in-service modes. The same digit (and the 6th and 7th digits) may be used for other proprietary funds and for general government fixed assets to segregate them by function or purpose. For further explanation and for definition of specific capital asset categories, see Part 1, Chapter 5 and Part 3, Chapter 7.

Use element 90 for accumulated depreciation.

171. LAND (NET)

172. - 173. BUILDINGS AND STRUCTURES (NET)

174. CAPITAL LEASES (NET)

175. LEASEHOLD IMPROVEMENTS (NET)

176. - 179. OTHER IMPROVEMENTS (NET)

181. - 188. MACHINERY AND EQUIPMENT (NET)

189. CONSTRUCTION IN PROGRESS

191. INTANGIBLE ASSETS (NET)

An asset with no physical substance, such as a patent or license, with a useful life that exceeds one year.

191.10 PLANT ACQUISITION ADJUSTMENTS

Used only in utilities, this account includes the difference between the cost to the current governmental owner and the cost incurred by the person or company that first devoted the property to utility service.

191.30 FRANCHISES AND LICENSES

Amounts paid to procure franchises, consents, licenses, or certificates of permission and approval, whether in perpetuity or for a specified term of more than one year, that give a government authority to operate certain facilities. Include related legal and filing expenses. Annual or other periodic payments under franchises should be charged to operating expenses. (For utilities, see also 191.7X.)

191.50 COMPUTER SOFTWARE

Amounts paid to acquire or develop data processing programs and related documentation. The cost of programs developed for sale to others must be expensed as incurred; only those programs developed or acquired for internal use may be capitalized. (The existence of this account is not meant to imply that any software costs must be capitalized, only that they may be.)

191.70 OTHER INTANGIBLE ASSETS

Include any amount paid by a utility to the assignor of a franchise that exceeds the amount paid by the original grantee.

191.90 ACCUMULATED AMORTIZATION (CREDIT)

The amount of original cost of intangible assets which has already been charged against revenue (or as a use allowance) since the date of acquisition.

193. OTHER NONCURRENT ASSETS (NET)

193.10 INVESTMENTS. Include all securities and other assets acquired primarily for the purpose of obtaining income or profit. Investments should be reported at **fair value** (for exception, see the GASB Statement 31).

Do not include investments restricted for specific purpose in proprietary funds (see account 150). Purchased interest should be debited to the revenue account 361.90 (G.L. account 292.10).

193.11 UNAMORTIZED PREMIUMS ON INVESTMENTS. The unamortized portion of the excess of the amount paid for securities over their face value (excluding accrued interest).

193.12 UNAMORTIZED DISCOUNTS ON INVESTMENTS (CREDIT). The unamortized portion of the excess of the face value of securities over the amount paid for them (excluding accrued interest).

193.40 PROPERTY HELD IN TRUST OR FOR FUTURE USE

For nonmonetary property acquired by distraint, foreclosure or default, record at the amount of the tax lien. Use the purchase price for land acquired for a future plant site.

193.70 CAPITAL ASSETS HELD FOR RESALE

Capital assets which have been declared surplus but are still owned by the government until they can be sold, traded, or otherwise disposed.

193.90 ACCUMULATED DEPRECIATION/AMORTIZATION (CREDIT)

195. DEFERRED CHARGES

Nonregularly recurring noncapital costs of operation that benefits future periods.

195.10 PRELIMINARY SURVEYS AND INVESTIGATIONS

This account is used only in proprietary funds to account for all expenses for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, the appropriate fixed asset account should be charged. If the work is abandoned, the appropriate operating or non-operating expense account should be charged.

195.30 UNAMORTIZED DEBT ISSUANCE COSTS

Those costs incurred for the issuance of long-term debt, such as legal fees, printing costs and other related costs. Use accounts 251, 252 and 253 for recording unamortized premium and discount on bonds sold. It is appropriate to treat debt issue costs as expenditures (subobject 84) when due in governmental funds, otherwise costs must be deferred and amortized (see 592.83.01).

195.50 EXTRAORDINARY AND OTHER DEFERRED PROPERTY LOSSES

This account is used only in proprietary funds to account for any expenses not recognized as a cost of operations of the period in which incurred, but carried forward to be written off in one or more future periods.

195.70 OTHER

195.90 ACCUMULATED AMORTIZATION (CREDIT)

The general long-term debt is no longer reported in the fund financial statements. The GASB Statement 34 eliminated the general long-term debt account group. The information previously presented in this Group is being reported in the government-wide financial statements. The local government may still use these accounts for accounting purposes, however, amounts in these accounts may need to be adjusted before their inclusion into the financial statements.

197. OTHER DEBITS

197.10 AMOUNT AVAILABLE IN DEBT SERVICE FUNDS

An account in the general long-term debt account group equal to the amount of fund balance available in debt service or other funds for the retirement of general long-term debt. Exclude fund balance in debt service funds that is to be used for imminent interest payments.

197.40 AMOUNT TO BE PROVIDED

An account in the general long-term debt account group which represents the amount which must be obtained from future revenues to retire outstanding obligations.

197.41 General long-term debt.

Amount to be provided to retire outstanding general long-term debt.

197.42 Landfill closure and postclosure care costs.

Amount to be provided for closure and postclosure care costs of landfills.

210 - 23X CURRENT LIABILITIES

Liabilities which are payable within next operating cycle (e.g., twelve months).

211. WARRANTS PAYABLE

The amount of operating warrants issued and outstanding. This account will be credited when warrants are issued and debited when warrants are redeemed or canceled. Do not use this account to record the issuance of revenue warrants (see accounts 235 and 263). Code cities using checks instead of warrants should not use this account.

213. ACCOUNTS/VOUCHERS PAYABLE

213.10 ACCOUNTS PAYABLE

Amounts not yet vouchered but owed on open account to private persons or organizations for goods and services furnished to a government (but not including amounts due to other funds or to other governments).

213.40 VOUCHERS PAYABLE

Liabilities for goods and services evidenced by vouchers which have been pre-audited and approved for payment but not yet paid.

215. CLAIMS AND JUDGMENTS PAYABLE

Amounts owed as compensation or payment for injury or damage. Include unpaid losses not covered by an insurance contract or bond and amounts owed as the result of court decisions, such a condemnation awards for private property taken for public use.

217. MATURED LONG-TERM OBLIGATIONS PAYABLE

That portion of all long-term debt which has become due. For explanation of the specific categories below, see accounts 251, 252, 253 and 263.

217.10	G.O. BONDS PAYABLE
217.20	REVENUE BONDS PAYABLE
217.30	SPECIAL ASSESSMENT BONDS PAYABLE
217.40	REVENUE WARRANTS PAYABLE
217.50	LEASES AND INSTALLMENT PURCHASES PAYABLE
217.90	OTHER

219. MATURED INTEREST PAYABLE

Interest due on long-term debt. For interest accrued between due dates, use account 231.10.

221. ANNUITIES PAYABLE

Pension benefits due and payable to retired employees in a public employee retirement system.

223. CONTRACTS PAYABLE

223.10 CONSTRUCTION CONTRACTS PAYABLE

Amounts of progress payments due for construction of buildings and other improvements. If the amounts earned by contractors at the end of the fiscal period are material, they should be estimated and accrued if a progress billing is not available.

223.40 RETAINAGE PAYABLE

Amounts due on construction contracts, representing a percentage of the progress billings. These amounts are not paid until final inspection, the lapse of a specified time period, or both. (RCW 50.24.130 and Chapter 60.28 RCW). Include amounts deposited to escrow accounts (see account 115.92) as well as amounts held in the municipal treasury.

223.70 INTEREST ON CONTRACTS PAYABLE

Use this account to accumulate interest on retainage when requested by the contractor (RCW 60.28.010).

223.90 OTHER CONTRACTS PAYABLE

225. DUE TO OTHER FUNDS

A payable for goods issued, work performed or services rendered from or by another fund of the same government. Also use this account for subsidies and other transfers between funds that have been authorized but not yet paid. The recipient fund should have an equal amount recorded under account 131. Includes payables between a primary government and blended component units.

226. DUE TO COMPONENT UNITS

Amounts due to discretely presented component units from the primary government. The payables to blended component units are presented in 225. Some transactions and balances previously recorded in 225 and 229 may need to be reclassified for the presentation in the reporting entity (primary government) financial statements. The recipient component unit(s) should have an equal amount recorded in 136. For details, see Part 3, Chapter 12, Interpretation 14.

227. INTERFUND LOANS PAYABLE

The amounts of interfund loans not yet repaid. See Part 3, Chapter 4, Section A, for further definition.

228. DUE TO PRIMARY GOVERNMENT

Amounts due to the primary government from discretely presented component unit(s). The payables of blended component unit(s) are presented in 225. An equal amount should be recorded in 135. For details, see Part 3, Chapter 12, Interpretation 14.

229. DUE TO OTHER GOVERNMENTS

Current amounts due to other governments. These amounts may represent intergovernmental grants or entitlements; loans; and charges for services rendered by another government. Payables for services that are not governmental in nature, such as insurance, utilities, rents, repairs, and supplies, should not be included here. Use account 213 or 231. See the description of object 50 in Part 1, Chapter 4.

231. OTHER ACCRUED LIABILITIES

These are amounts of expenses/expenditures that have been incurred by the end of the fiscal period but will become payable at a future date. Do not include accruals for claims and judgments, annuities, or construction contracts in this account. See accounts 215, 221, and 223.

231.10 INTEREST PAYABLE

Interest earned by creditors, including bondholders, since the last payment or coupon date.

231.20 ARBITRAGE REBATE TAX PAYABLE

The interest earnings accrued at the end of the 5th year and due and payable to the U.S. Treasury. See Part 3, Chapter 10.

231.30 ACCRUED WAGES

Wages earned by employees since the last payroll. Include the current portion of the unpaid liability for employee absences (vacation and other accruable leave). Use account 259 to record the long-term liability for compensated absences.

231.50 ACCRUED EMPLOYEE BENEFITS

Estimated benefits associated with accrued wages, account 231.30. Include payroll taxes.

231.70 ACCRUED TAXES

Estimated taxes that are not directly associated with other specific liability accounts, such as B&O taxes or excise taxes. Do not include payroll taxes (see account 231.50).

231.90 OTHER

233. REVENUES COLLECTED IN ADVANCE

Use this account for receipts that will become revenues in the next fiscal period. (See account 257, *Deferred Revenues*.)

233.30 ADVANCE PAYMENTS OF SPECIAL ASSESSMENTS

Special assessments paid during the period after the final roll is established but before interest is assessed. This account should be debited and revenue credited when the moneys have been spent on the LID project. Use account 245.30 in proprietary funds.

235. CURRENT PORTION OF LONG-TERM OBLIGATIONS

The unmatured portion of all long-term debt which will become due within one year (proprietary funds) but which is not yet due and which will require current assets to redeem (see account 240 for the current portion of long-term debt payable from restricted assets). Do not include any portion of refunded debt. Special rules apply to certain types of intermediate-length financing (see accounts 239.60 and 263.60). For explanations of the other specific types of debt, see accounts 251, 252, 253 and 263.

235.10	G.O. BONDS PAYABLE
235.20	REVENUE BONDS PAYABLE
235.30	SPECIAL ASSESSMENT BONDS PAYABLE
235.40	REVENUE WARRANTS PAYABLE
235.50	LEASES AND INSTALLMENT PURCHASES PAYABLE
235.70	OTHER NOTES PAYABLE
235.90	OTHER

237. CUSTODIAL ACCOUNTS

A liability account for the net monetary assets held by a governmental unit in a trustee capacity or as an agency for individuals, private organizations, other governmental units, or other funds. Include such items as sales and leasehold taxes collected for the state, prisoners' cash, court trusts, contractors' bonds (bid deposits), and suspense accounts (receipts pending classification and grants or taxes collected by the reporting government as an intermediary). County treasurers should use this account to offset the assets held in agency funds for special purpose districts. Do not use this account for any fiduciary funds.

239. OTHER CURRENT LIABILITIES

239.10 CUSTOMER DEPOSITS (NONPROPRIETARY)

Liability for deposits made by customers as a prerequisite to receiving services. In proprietary funds use account 245.10 instead.

239.60 ANTICIPATION WARRANTS/NOTES

These are short-term financing instruments (Chapter 39.50 RCW). Include the entire principal of those notes and warrants unless the instruments were authorized in anticipation of a bond issue (see account 263.60). This debt should be treated as fund debt, even in governmental funds.

239.90 OTHER

240. PAYABLE FROM RESTRICTED ASSETS

These accounts are used only in proprietary funds. Include the amounts of current liabilities and customer deposits for which the assets have been set aside as restricted in account 150. Do not include matured bonds or progress payments due to contractors; instead, the related assets should be treated as current and nonrestricted. For explanation of the specific types of debt, see accounts 233.30, 239.60, 251, 252, 253, and 263.

241. DEBT PRINCIPAL PAYABLE

241.10	REVENUE BONDS PAYABLE
241.20	OTHER BONDS PAYABLE
241.40	NOTES AND WARRANTS PAYABLE

242. DEBT INTEREST PAYABLE

245. DEPOSITS AND OTHER PAYABLES

245.10	DEPOSITS PAYABLE
245.30	ADVANCE PAYMENTS OF SPECIAL ASSESSMENTS
245.90	OTHER

251. GENERAL OBLIGATION BONDS PAYABLE (NET)

251.10 G.O. BONDS AT FACE VALUE (FOR CAPITAL PURPOSES)

The face value of all noncurrent bonds used for capital acquisitions and/or improvements for which the government has pledged its full faith and credit.

251.11	No Vote Required
251.12	Vote Required
251.15	Advance Refunding - Defeasance Method
251.16	Advance Refunding - Crossover Method

251.20 UNAMORTIZED PREMIUM ON G.O. BONDS

The unamortized portion of the excess of G.O. bond proceeds over their face value (excluding accrued interest and issuance cost; see G.L. account 195.30 for issuance cost).

251.30 UNAMORTIZED DISCOUNT ON G.O. BONDS (DEBIT)

The unamortized portion of the excess of the face value of G.O. bonds over the amount received from their sale (excluding accrued interest and issuance cost; see G.L. account 195.30 for issuance cost).

251.40 G.O. BONDS AT FACE VALUE (FOR M AND O PURPOSES)

The face value of all noncurrent bonds used for maintenance and operations (M and O) for which the government has pledged its full faith and credit.

251.41	No Vote Required
251.42	Vote Required
251.45	Advance Refunding - Defeasance Method
251.46	Advance Refunding - Crossover Method

251.50 DEFERRED AMOUNT ON REFUNDING

This account is used to amortize the difference between the reacquisition price and net carrying value of the refunded (old) debt in the debt refunding transactions. If the reacquisition price exceeds the net carrying value of the old debt, debit this account.

For more details see Part 3, Chapter 9, Section C.

251.90 ADVANCE REFUNDED G.O. BOND ISSUES

The amount of any refunded bonds included in this account should not be reported in the financial statements. (For further discussion, see Part 3, Chapter 9, Section C.)

252. REVENUE BONDS PAYABLE (NET)

252.10 REVENUE BONDS AT FACE VALUE (FOR CAPITAL PURPOSES)

The face value of all revenue bonds used for capital acquisitions and improvements not due within one year.

252.11	No Vote Required
252.12	Vote Required
252.15	Advance Refunding - Defeasance Method
252.16	Advance Refunding - Crossover Method

252.20 UNAMORTIZED PREMIUM

The unamortized portion of the excess of revenue bond proceeds over their face value (excluding accrued interest and issuance cost; see G.L. account 195.30 for issuance cost).

252.30 UNAMORTIZED DISCOUNT (DEBIT)

The unamortized portion of the excess of the face value of revenue bonds over the amount received from their sale (excluding accrued interest and issuance cost; see G.L. account 195.30 for issuance cost).

252.40 REVENUE BONDS AT FACE VALUE (FOR M AND O PURPOSES)

The face value of all revenue bonds used for maintenance and operations (M and O) and not due within one year.

252.41	No Vote Required
252.42	Vote Required
252.45	Advance Refunding - Defeasance Method
252.46	Advance Refunding - Crossover Method

252.50 DEFERRED AMOUNT ON REFUNDING

This account is used to amortize the difference between the reacquisition price and net carrying value of the refunded (old) debt in the debt refunding transactions. If the reacquisition price exceeds the net carrying value of the old debt, debit this account. For more details see Part 3, Chapter 9, Section C.

252.90 ADVANCE REFUNDED REVENUE BOND ISSUES

The amount of any refunded bonds included in this account should not be reported in the financial statements. (For further discussion, see Part 3, Chapter 9, Section C.)

253. SPECIAL ASSESSMENT BONDS PAYABLE (NET)

253.10 SPECIAL ASSESSMENT BONDS AT FACE VALUE

The face value of bonds issued for public improvements to be repaid (wholly or in part) from assessments levied against benefited properties. Bonds expected to be financed from special assessments should be recorded here even if the full faith and credit of the municipality is pledged.

253.11 LID Bonds
253.12 ULID Bonds
253.13 RID Bonds
253.14 Other Special Improvement Bonds
253.15 Advance Refunding - Defeasance Method
253.16 Advance Refunding - Crossover Method

253.20 UNAMORTIZED PREMIUM

The unamortized portion of the excess of special assessment bond proceeds over their face value (excluding accrued interest and issuance cost; see G.L. account 195.30 for issuance cost).

253.30 UNAMORTIZED DISCOUNT (DEBIT)

The unamortized portion of the excess of the face value of special assessment bonds over the amount received from their sale (excluding accrued interest and issuance cost; see G.L. account 195.30 for issuance cost).

253.50 DEFERRED AMOUNT ON REFUNDING

This account is used to amortize the difference between the reacquisition price and net carrying value of the refunded (old) debt in the debt refunding transactions. If the reacquisition price exceeds the net carrying value of the old debt, debit this account. For more details see Part 3, Chapter 9, Section C.

253.90 ADVANCE REFUNDED SPECIAL ASSESSMENT BOND ISSUES

The amount of any refunded bonds included in this account should not be reported in the financial statements. (For further discussion, see Part 3, Chapter 9, Section C.)

255. ADVANCES FROM OTHER FUNDS

The amounts of long-term interfund loans not yet repaid. Also include the amount of deferred assessments owed by a fund to other funds of the same government.

257. DEFERRED REVENUE

Amounts recognized as receivables, including amounts due from other governments, which cannot be classified as revenues. An example is property taxes levied but not yet collected. Under the modified accrual basis of accounting, such amounts are measurable but not available. See the discussion of revenue accrual in Part 3, Chapter 2.

Also include amounts collected that will not become revenues during the next fiscal year. (See account 233.) For example, rental payment received for the last year of a lease running for several more years.

259. COMPENSATED ABSENCES

This account is used to record the noncurrent liability for employee absences. Such compensation should be recorded for all accrued vacation and for that portion of other leave, such as sick leave, for which the employee would be paid on termination. Use account 231.30 to record the current portion of these kinds of leave.

263. OTHER NONCURRENT LIABILITIES

263.10 CLAIMS AND JUDGMENTS PAYABLE

The noncurrent portion of amounts owed as compensation or payment for injury or damages.

263.20 LIABILITY FOR LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The estimated and accrued costs related to the closure of landfills in accordance with the Department of Ecology standards. (See Part 3, Chapter 12.)

263.30 UTILITY OPERATING RESERVES

Amounts expensed by a proprietary fund and irrevocably set aside for pension, accident and death benefits, employee health and welfare, etc., but not included in restricted assets. Utilities may also use this account during the fiscal year for amounts expensed to meet the probable liability, not covered by insurance, for losses through accidents, fire, flood, or other hazards, and for losses from injury and damage claims. For reporting purposes, amounts that remain in this account at year-end which represent net self-insurance "reserves" must be credited against the related risk expense accounts, so that operating statements include as expenses only the actual judgments awarded and/or losses sustained.

263.40 REVENUE WARRANTS PAYABLE

The noncurrent portion of warrants issued with a set term for redemption (also known as time warrants). In most cases, they are backed by the earnings of a specific fund rather than the full faith and credit of the issuing government. Any premium or discount should be accounted for separately from the face value, using subaccounts of this account.

263.50 LEASES AND INSTALLMENT PURCHASES

Include the noncurrent portion of capital leases and lease/purchases. An explanation of capital leases and the required accounting for them is contained in Part 3, Chapter 9.

263.60 NOTES PAYABLE

The noncurrent portion of promissory notes issued by a local government.

Include the entire unpaid principal of intermediate length financing instruments, such as anticipation notes and warrants (Chapter 39.50 RCW) authorized in anticipation of a bond issue, even though it may come due within 12 months.

Other anticipation notes or warrants should be classified as current debt, even though payment may be delayed beyond 12 months (see account 239.60).

263.70 ARBITRAGE REBATE TAX PAYABLE

The interest earnings accrued in years 1-4 that will be due to the U.S. Treasury at the end of the 5th year. Refer to discussion in Part 3, Chapter 10.

263.80 DUE TO OTHER GOVERNMENTS

The noncurrent portion of intergovernmental loans.

263.90 MISCELLANEOUS NONCURRENT LIABILITIES

267. DEFERRED CREDITS

This account is used in proprietary funds to account for gains that will be amortized over succeeding fiscal periods. Use the separate accounts provided for items sometimes classified as deferred credits, such as unamortized debt premium (accounts 251.20, 252.20, and 253.20), customer advances to be refunded (account 245) and amounts held pending disposition (account 237).

The general fixed assets are no longer reported in the fund financial statements. The GASB Statement 34 eliminated the general fixed assets account group. The information previously presented in this group is being reported in the government-wide financial statements. The local government may still use these accounts for accounting purposes, however, amounts in these accounts may need to be adjusted before their inclusion into the financial statements.

276. - 278. INVESTMENT IN GENERAL FIXED ASSETS

An equity account used only in the general fixed assets account group which represents the cost of general fixed assets.

This account must be subdivided according to the source of funds which financed the asset acquisition. For example, if a parks fund received state and federal grants to construct a senior center, the state portion would be accounted for in 277. The federal portion in 276 and the local portion in 278.20. For federal, state, and interlocal grants, you may use the grant source codes in the element through subdigit fields to further specify the source.

276. FROM FEDERAL GRANTS

277. FROM STATE AND INTERLOCAL GRANTS

278. FROM OTHER SOURCES:

278.40	FROM GENERAL FUND
278.50	FROM SPECIAL REVENUE FUNDS
278.60	FROM G.O. BONDS
278.70	FROM SPECIAL ASSESSMENTS
278.80	FROM PRIVATE CONTRIBUTIONS
278.90	FROM OTHER SOURCES

281. - 282. FUND BALANCE

These accounts are used to segregate portions of fund balance resources that are legally restricted for specific purposes in governmental funds.

281.10 RESERVED FOR ENCUMBRANCES

An account used to indicate that portion of fund balance which has been segregated for expenditure under unperformed (executory) contracts.

At year-end, this account represents prior-year appropriation authority carried forward to the next year. This account may also be used to record outstanding purchase orders and other contracts, even though appropriation authority lapses at year-end, if the intent of the government is to honor the contracts.

281.30 RESERVED FOR CONTINUING APPROPRIATIONS

This account is used only at year-end, when the budgetary accounts are closed. This reserve indicates that some or all of the fund resources are restricted to specific uses, already budgeted for, and that an unexpended, unencumbered appropriation is still in effect to authorize expenditures for those specific uses, already budgeted for. Note that the amount recorded as a continuing appropriation is limited to the lesser of (a) fund resources already booked and available to finance the expenditures; and (b) the amount of unexpended and unencumbered appropriations. Also note that the amount of contracts let but not yet expended should be reserved as encumbrances rather than as continuing appropriation. Consider the example of a construction project funded by bond proceeds. Money reserved for construction contracts already let but unperformed should be offset by a credit to account 281.10; moneys reserved for construction where the contracts have not yet been let should be offset by a credit to this account.

281.50 RESERVED FOR DEBT SERVICE

This account is used in governmental type funds other than debt service funds to indicate the amount of fund resources available for and committed to payment of debt. All resources of debt service funds are considered reserved, so that the use of this account in debt service funds is unnecessary.

282.10 RESERVED FOR LOANS/ADVANCES RECEIVABLE

The offset or contract account to account 132, *Interfund Loans Receivable* and 165, *Advances To Other Funds*. This account should also be used to offset amounts in account 163, *Notes/Contracts Receivable*, which have not been offset by deferred revenues.

282.20 RESERVED FOR UNREALIZED EARNINGS ON INVESTMENTS

Segregation of fund balance for unrealized changes in the fair value of investments is optional. The local government may use this account, however, the Governmental Accounting Standards Board recommends the use of designations (see account 287). This account is provided for use at the local government's discretion and does not conform with generally accepted accounting principles.

282.30 RESERVED FOR INVENTORIES

The account is used only at year-end to indicate material amounts of items purchased for resale. The accounting entry is a debit to the inventory account and a credit to this reserve.

282.50 RESERVED FOR PREPAID ITEMS

This account is used only at year-end to indicate material amounts of prepayments. In many cases, the account will not need to be used: see the definition of account 143, *Prepayments*.

282.70 RESERVED FOR ENDOWMENT PRINCIPAL

This account should be used to report the principal (corpus) of the endowment. (The donors have to stipulate that the amount contributed is to be maintained either in perpetuity or for a term of years.)

282.80 RESERVED FOR ARBITRAGE REBATE TAX

This account should be used at year-end to indicate rebate of interest earnings due to the U. S. Treasury.

282.90 OTHER RESERVES

283. - 285. NET ASSETS

283.10 NET ASSETS, HELD IN TRUST FOR PENSION BENEFITS

The difference between the assets and liabilities of pension plans reported by the employer or sponsor government in a pension (and other employee benefit) trust fund.

283.20 NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS

The difference between the assets and liabilities of external investment pools reported by the sponsor government in an investment trust fund.

283.90 NET ASSETS, HELD IN TRUST FOR OTHER PURPOSES

The difference between the assets and liabilities of fiduciary funds, other than pension (and other employee benefit) trust funds or investment trust funds.

284.10 INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The component of the difference between assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt (e.g., bonds, mortgages, notes) that is directly attributable to the acquisition, construction, or improvement of those assets.

284.20 NET ASSETS, RESTRICTED FOR _____

The component of the difference between assets and liabilities of proprietary funds that consists of assets with constraints placed on their use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation.

284.21 Net Assets, Restricted for _____, Permanent Restriction. Net assets that may never be spent (e.g., endowments).

284.22 Net Assets, Restricted for _____, Temporary Restriction. Net assets that may be spent at some time, either in the present or future.

285. NET ASSETS, UNRESTRICTED

The difference between the assets and liabilities of proprietary funds that is not reported as *Net Assets, Invested in Capital Assets, Net of Related Debt* or *Restricted Net Assets.*

287. UNRESERVED DESIGNATED FUND BALANCE

The account used in governmental funds only to segregate a portion of fund balance to indicate tentative plans for future financial resource use. For example: general contingencies, unrealized investment earnings (see account 282.20), equipment replacement, etc. Designations reflect tentative managerial plans or intent and should be clearly distinguished from reserves.

287.10 DESIGNATED FOR CAPITAL PURPOSES

287.20 DESIGNATED FOR INSURANCE (SELF-INSURED ENTITIES)

287.30 DESIGNATED FOR UNREALIZED INVESTMENT EARNINGS

287.90 DESIGNATED FOR OTHER PURPOSES

288. UNRESERVED UNDESIGNATED FUND BALANCE

Portion of fund balance representing expendable available financial resources.

290. CONTROL ACCOUNTS

An account containing totals of one or more types of transactions the detail of which appears in a subsidiary ledger or its equivalent. The balance of the control account equals the sum of the balances of the detail accounts.

291. NOMINAL ACCOUNTS CONTROL - BUDGETARY

Budgetary accounts record annual estimates that are formally integrated into an accounting system, whether those estimates are appropriations or merely management estimates. Budgetary accounts should be contrasted with actual accounts, which record true revenues, expenditures or expenses, assets, liabilities and fund balances. Budgetary accounts should also be contrasted with project accounts, which record both estimates and actual amounts, but not on an annual basis.

Nominal accounts are those accounts that are closed to fund balance at the end of each fiscal period. For simplicity of reporting, the BARS includes in the nominal control account only those accounts which appear on the operating statement (revenues, expenditures, etc.).

291.10 ESTIMATED REVENUE CONTROL

This account records the total revenues it is estimated will be earned by a specific fund during a government's own fiscal year.

291.11 Estimated Operating Revenue Control
291.14 Estimated Nonoperating Revenue Control
291.17 Estimated Other Income Control

291.20 APPROPRIATION/EXPENSE CONTROL

This account records the estimated or legally authorized total expenditures or expenses to be incurred during a government's own fiscal year.

291.21 Estimated Operating Expense Control
291.24 Estimated Nonoperating Expense Control
291.27 Estimated Other Expenses Control

291.30 ESTIMATED OTHER FINANCING SOURCES CONTROL

This account records the total proceeds of borrowings, transfers (and a few other items not regarded as revenues) it is estimated will be received during a government's own fiscal year.

291.40 ESTIMATED OTHER FINANCING USES CONTROL

This account records the estimated or legally authorized amount of transfers to be paid during a government's fiscal year.

291.50 ESTIMATED NONCASH TRANSACTION AFFECTING INCOME (PROPRIETARY FUNDS ONLY/OPTIONAL)

This account may be used in proprietary funds to establish budgetary control over specific line items affecting outcome from operations.

291.51 Estimated Inventory Purchases
291.53 Estimated Prepayments
291.55 Estimated Work in Process

291.70 ESTIMATED BEGINNING FUND BALANCE CONTROL (USED BY GOVERNMENTAL FUNDS AND FOR BUDGETING BY OBJECT IN PROPRIETARY FUNDS)

This account records the amount by which fund assets are expected to exceed fund liabilities at the beginning of the fiscal year. Include any amounts of reserved or designated unreserved fund balance.

291.71 Estimated Beginning Reserved Fund Balance
291.74 Estimated Beginning Unreserved Fund Balance

291.80 ESTIMATED ENDING FUND BALANCE CONTROL (USED BY GOVERNMENTAL FUNDS AND FOR BUDGETING BY OBJECT IN PROPRIETARY FUNDS)

This account records the excess of fund assets over liabilities estimated to exist at the end of the fiscal year.

291.81 Estimated Ending Reserved Fund Balance
291.84 Estimated Ending Unreserved Fund Balance

292. NOMINAL ACCOUNTS CONTROL - ACTUAL

Actual accounts record true revenues earned and expenditures or expenses incurred during a fiscal period.

292.10 REVENUE CONTROL

This account records the actual revenues earned by a specific fund during a government's own fiscal period. Do not include proceeds from long-term debt and transfers-in which are classified not as revenues but as other financing sources. See Account 292.3X.

292.11	Operating Revenue Control
292.14	Nonoperating Revenue Control
292.17	Other Income Control

292.20 EXPENDITURE/EXPENSE CONTROL

This account is used to record actual expenditures/expenses incurred during a government's own fiscal year. Do not include transfers-out which are classified not as expenditures/expenses but as other financing uses. See account 292.4X.

292.21	Operating Expense Control
292.24	Nonoperating Expense Control
292.27	Other Expenses Control

292.30 OTHER FINANCING SOURCES CONTROL

This account records the actual proceeds of borrowings, transfers (and a few other items not regarded as revenues) which are received during a government's own fiscal year.

292.40 OTHER FINANCING USES CONTROL

This account records the actual amount of transfers paid during a government's own fiscal year.

292.50 NONCASH TRANSACTIONS AFFECTING INCOME (PROPRIETARY FUNDS ONLY)

This account may be used to segregate expenses for specific transactions affecting income from operations.

292.51	Inventory Purchase Control
292.53	Prepayments Control
292.55	Work in Process Control

292.70 BEGINNING FUND BALANCE CONTROL (USED BY GOVERNMENTAL FUNDS AND FOR BUDGETING BY OBJECT IN PROPRIETARY FUNDS)

This account records the amount by which fund assets exceed fund liabilities at the beginning of the fiscal year. Include any amounts of reserved or designated unreserved fund balance.

Entry to this account is normally made once a year as soon as the entity has closed its books for the previous year, by crediting this account and debiting account 292.8X for the amount of actual beginning fund balance.

292.71	Beginning Reserved Fund Balance
292.74	Beginning Unreserved Fund Balance

292.80 ENDING FUND BALANCE CONTROL (USED BY GOVERNMENTAL FUNDS AND FOR BUDGETING BY OBJECT IN PROPRIETARY FUNDS)

This account records the actual excess of fund assets over liabilities at any specific date. The first entry to this account should be made as soon as the entity has closed its books for the previous year, by debiting this account for the actual beginning fund balance (see account 292.7X for the offsetting entry). Thereafter, entries must be made periodically (no less often than monthly) to update fund balance by charging this account for the excess of fund resources over fund uses since the last time fund balance was updated. The offsetting entry is made to unreserved undesignated fund balance (account 288). If periodic expenditures and other uses exceed resources, this account will be credited and account 288 will be debited.

292.81	Ending Reserved Fund Balance
292.84	Ending Unreserved Fund Balance

295. ENCUMBRANCE CONTROL

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. These are recorded before the actual expenditure is incurred to prevent expenditures from exceeding appropriations. The offsetting account is 281.1X, *Reserve for Encumbrances*.

296. LIFE-TO-DATE ACCOUNTS CONTROL - BUDGETARY

296.10 GRANTS/PROJECTS AUTHORIZED

The total amount of ongoing grants/projects authorized through the current fiscal year. This amount should include all grant amendments to date. See discussion in Part 2, Chapter 2, Section A.

296.20 CONTINUING GRANTS/PROJECTS APPROPRIATIONS

The total amount of appropriations for ongoing grants/projects authorized through the current fiscal year. This amount should include all grant amendments to date. See discussion in Part 2, Chapter 2, Section B.

297. LIFE-TO-DATE ACCOUNTS CONTROL - ACTUAL

297.10 LIFE-TO-DATE RESOURCES EARNED

Resources earned from inception of the project to date for ongoing projects that extend over a period that does not coincide with or fall within the current fiscal year.

297.20 LIFE-TO-DATE EXPENDITURES/USES

Expenditures incurred from inception of the project to date for ongoing projects that extend over a period that does not coincide with or fall within the current fiscal year.

297.30 PROJECT/GRANT CONTRA

The excess of 297.20, *Life-To-Date Expenditures/Uses* over 297.10, *Life-To-Date Resources Earned*. This account represents the current grant receivable and serves to prevent these accounts from impacting fund balance.

298. NET ASSETS – GENERAL GOVERNMENT

The difference between general government asset and liability account balances. The local government may use this account for the government-wide financial statements.

300. RESOURCE ACCOUNTS

Do **NOT** post transactions to summary accounts. Account headings and parenthesis indicate if a particular account is considered a summary account.

ALL accounts are prescribed unless the local government does not have that type of revenue.

The 300 series of accounts categorize all resources by type and source.

Most of the prescribed subsidiary revenue and nonrevenue codes are limited to five (5) positions; however, a total of seven (7) positions are reserved for BARS information, i.e. - 300.00.00.

For governmental-type funds, the subsidiary revenue accounts 310 - 369 represent the sources of revenue to a fund which are summarized in the general ledger control account 292.10. The subsidiary accounts 391 - 399 represent other financing sources in governmental-type funds and are subsidiary to the general ledger control account 292.30. Nonrevenue accounts 380 - 389 represent subsidiaries of general ledger accounts other than 292.

For proprietary and fiduciary funds, both the 310 - 369 series and account 395 represent revenues classified by source. In addition, the 371 - 379 series is used in transactions specific to these fund types. The subsidiary account 397 is the only *Other Financing Source* in proprietary and fiduciary funds. As with governmental funds, the nonrevenue accounts 381 - 389 represent subsidiaries of general ledger accounts other than 292. Note that proprietary fund operating statement does not classify revenues by source; see Part 4, Chapter 4 for further discussion of the financial statement presentation of proprietary and fiduciary fund revenues.

The word SUBSIDIARY indicates the relationship of the 300 account to the control accounts for those governments using double-entry accounting.

BASIC ACCOUNTS

291.70 BEGINNING FUND BALANCE
292.70
3081/

310 TAXES
320 LICENSES AND PERMITS
330 INTERGOVERNMENTAL REVENUES
340 CHARGES FOR GOODS AND SERVICES
350 FINES AND FORFEITS
360 MISCELLANEOUS REVENUES
370 PROPRIETARY/TRUST GAINS (LOSSES) AND OTHER INCOME (EXPENSES)
380 NONREVENUES
390 OTHER FINANCING SOURCES

1/ 308 is intended for use by Category 2 local governments. It can optionally be used by Category 1 local governments.

291.70 BEGINNING FUND BALANCE
292.70
(308)

(310) TAXES

- **(311) GENERAL PROPERTY TAXES**
- **(312) TIMBER HARVEST TAXES**
- **(313) RETAIL SALES AND USE TAXES**
- **314 INTERFUND TAXES**
- **(316) BUSINESS TAXES**
- **(317) EXCISE TAXES**
- **318 OTHER TAXES**
- **(319) PENALTIES AND INTEREST ON DELINQUENT TAXES**

(320) LICENSES AND PERMITS

- **(321) BUSINESS LICENSES AND PERMITS**
- **(322) NON-BUSINESS LICENSES AND PERMITS**
- **329 INTERFUND LICENSES AND PERMITS**

(330) INTERGOVERNMENTAL REVENUES

- **(331) DIRECT FEDERAL GRANTS**
- **(332) FEDERAL ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES**
- **(333) INDIRECT FEDERAL GRANTS**
- **(334) STATE GRANTS**
- **(335) STATE SHARED REVENUES**
- **(336) STATE ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES**
- **(337) INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES**
- **(338) INTERGOVERNMENTAL SERVICE REVENUES**

(340) CHARGES FOR GOODS AND SERVICES

- **(341) GENERAL GOVERNMENT**
- **(342) SECURITY OF PERSONS AND PROPERTY**
- **(343) UTILITIES AND ENVIRONMENT**
- **(344) TRANSPORTATION**
- **(345) ECONOMIC ENVIRONMENT**
- **(346) MENTAL AND PHYSICAL HEALTH**
- **(347) CULTURE AND RECREATION**
- **(348) INTERNAL SERVICE FUND SALES AND SERVICES**
- **(349) INTERFUND/INTERDEPARTMENTAL-SALES AND SERVICES**

(350) FINES AND FORFEITS

- **(351) SUPERIOR COURT - FELONY/MISDEMEANOR PENALTIES**
- **(352) CIVIL PENALTIES**
- **(353) CIVIL INFRACTION PENALTIES**
- **354 CIVIL PARKING INFRACTION PENALTIES**
- **(355) CRIMINAL TRAFFIC MISDEMEANOR FINES**
- **(356) CRIMINAL NON-TRAFFIC FINES**
- **(357) CRIMINAL COSTS**
- **(359) NON-COURT FINES, FORFEITURES AND PENALTIES**

(360) MISCELLANEOUS REVENUES

- **(361) INTEREST AND OTHER EARNINGS**
- **(362) RENTS, LEASES AND CONCESSIONS**
- **363 INSURANCE PREMIUMS AND RECOVERIES**
- **(365) INTERNAL SERVICE FUND MISCELLANEOUS REVENUES**
- **(366) INTERFUND/INTERDEPARTMENTAL-MISCELLANEOUS REVENUES**
- **(367) CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES**
- **368 SPECIAL ASSESSMENT PRINCIPAL (CURRENT)**
- **(369) OTHER**

(370) PROPRIETARY/TRUST GAINS (LOSSES) AND OTHER INCOME (EXPENSES)

- **371 EQUITY IN INCOME (LOSSES) OF JOINT VENTURES AND SUBSIDIARIES**
- **372 EXTRAORDINARY/SPECIAL ITEMS**
- **373 OTHER GAINS (LOSSES)**
- **376 GAINS (LOSSES) FROM OPERATION AND DISPOSAL OF DISCONTINUED SEGMENTS**
- **378 CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES**

(380) NONREVENUES

- **(381) INTERFUND LOAN RECEIPTS**
- **(382) PROCEEDS OF LONG-TERM DEBT-PROPRIETARY FUNDS ONLY**
- **384 PROCEEDS FROM SALES OF INVESTMENTS**
- **385 COLLECTIONS OF ACCRUED REVENUES AND OTHER RECEIVABLES**
- **386 AGENCY TYPE DEPOSITS**
- **388 OTHER INCREASES IN FUND BALANCES/NET ASSETS**
- **389 OTHER NONREVENUES**

(390) OTHER FINANCING SOURCES

- **(391) PROCEEDS OF LONG-TERM DEBT-GOVERNMENTAL FUNDS ONLY**
- **393 PROCEEDS OF REFUNDING LONG-TERM DEBT**
- **(395) DISPOSITION OF CAPITAL ASSETS**
- **397 TRANSFERS-IN**

291.70 **BEGINNING FUND BALANCE**
292.70
308.00 These accounts record the estimated and actual amounts of fund balance at the beginning of the year; that is, the excess of fund assets over liabilities.

308.10 **RESERVED**
308.80 **UNRESERVED**

(310) **TAXES** (Summary Account)

(311) **GENERAL PROPERTY TAXES** (Summary Account)

Ad valorem taxes levied on an assessed valuation of real and personal property. Include compensating tax and property taxes on land with statutory values, such as forest land, reforestation land, open space land, etc. (RCW 84.33.120, .140, .145)

Note: Account 311.00 should not include: (1) non-tax revenue; or (2) taxes levied by the municipality upon subjects or bases other than general property. This account should include taxes levied by a county and diverted to a city because of annexation.

311.10 **REAL AND PERSONAL PROPERTY TAXES (RCW 84.56.230 and RCW 35.13.270).** Additional earmarked levies of real and personal property tax should be coded using the subelement (5th) digit. (E.g., Emergency Medical Services (RCW 84.52.069), Veterans Relief (RCW 73.08.080), Community Services (RCW 71.20.110), etc.)

311.20 **DIVERTED COUNTY ROAD PROPERTY TAXES (RCW 36.33.220 and 36.82.040).** For details see Part 3, Chapter 12, Interpretation 3.

311.30 **SALE OF TAX TITLE PROPERTY (RCW 36.35.110)**

311.60 **DEFERRED PROPERTY TAXES (RCW 84.38.120)**

(312) **TIMBER HARVEST TAXES** (Summary Account)

312.10 **PRIVATE HARVEST TAX.** County-levied tax on private timber harvest. See 335.02.31 for reforestation harvest tax and 335.02.33 for timber sales from the state forest land (Chapter 84.33 RCW).

(313) **RETAIL SALES AND USE TAXES** (Summary Account)

Taxes imposed upon the sale or consumption of goods and/or services generally, with few or limited exemptions. Include sales taxes levied by the governmental unit even though collected and distributed by the state after deduction of a handling fee. The net amount received should be reflected in the account. (Chapter 82.14 RCW)

Note: Account 313 should not include any interest earnings. Use Account 361.90.

313.10 **LOCAL RETAIL SALES AND USE TAX (RCW 82.14.060)**

313.17 **ZOO, AQUARIUM AND WILDLIFE FACILITIES SALES AND USE TAX (RCW 82.14.400).** To be used solely for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, re-equipping, or improvement of zoo, aquarium and wildlife preservation and a display facilities that are currently accredited by the American Zoo and Aquarium Association. Also, can be used for parks as defined in RCW 82.14.400.

313.18 **RURAL COUNTY SALES AND USE TAX (RCW 82.14.370).** The money collected should only be used for financing public facilities in rural counties. "Public facilities" and "rural counties" are defined by RCW 82.14.370(3) and (5).

313.19 **REGIONAL CENTERS SALES AND USE TAX (RCW82.14.390).** The money collected should only be used for financing a regional center as defined by RCW 35.57.020.

(313.20) **LOCAL RETAIL SALES AND USE TAX - TRANSPORTATION** (Summary Account)

Tax collected and distributed by the state, restricted for public transportation system and/or high capacity transportation.

313.21 **PUBLIC TRANSPORTATION SYSTEMS (RCW 82.14.045)**

313.22 **HIGH CAPACITY TRANSPORTATION (HCT) (RCW 81.104.160(2) and .170)**

313.30 **HOTEL/MOTEL TAX (Chapter 67.28 RCW).** Funds distributed are to be used solely for the purpose of paying all or any part of the cost of tourism promotion and acquisition or operation of tourism – related facilities (RCW 67.28.1815).

313.50 **HOTEL/MOTEL TAX - CONVENTION/TRADE CENTER (RCW 67.40.100).** Can be imposed only by the city incorporated before 1982 with a population over 60,000 located in the county with a population over one million (other than Seattle).

313.60 **NATURAL GAS USE TAX (RCW 82.14.230)**

(313.70) **LOCAL RETAIL SALES AND USE TAX - PUBLIC SAFETY** (Summary Account)

313.71 **CRIMINAL JUSTICE FUNDING.** Funds distributed are to be used exclusively for criminal justice purposes; these funds cannot be used to replace or supplant existing funding. (RCW 82.14.340)

313.72 **JUVENILE DETENTION FACILITIES AND JAILS.** Funds are to be used exclusively for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of juvenile detention facilities and jails. (RCW 82.14.350)

314.00 **INTERFUND TAXES** (Quasi-External Transactions)

Taxes assessed against one fund for the benefit of another fund of the same governmental entity.

(314.50) **BUSINESS AND OCCUPATION TAXES ON MUNICIPALITY'S OWN UTILITIES** (Summary Account)

Levied on the gross revenues or other activity of utility.

314.51 **ELECTRIC**
314.52 **WATER**
314.53 **GAS**
314.54 **SEWAGE**
314.55 **GARBAGE/SOLID WASTE**
314.56 **CABLE**
314.58 **STORM DRAINAGE**
314.59 **OTHER**

(316) **BUSINESS TAXES** (Summary Account)

Taxes levied on business activities or designated types of business firms. Business taxes imposed on utilities and enterprises should also be included.

Note: Account 316 should not include any intergovernmental or interfund charges in lieu of taxes. Use accounts 314, 337 or 338.

316.10 **BUSINESS AND OCCUPATION TAXES.** A revenue tax that derives from municipal authority to license businesses, usually based on gross revenue. (The license fee itself is recorded in account 321.) (RCW 35.21.710 and 82.04.220)

316.20 **ADMISSIONS TAX.** A consumer tax based on entrance to theaters, parks, sports arenas, etc. Also include similar taxes on season tickets, cover charges, rentals of recreational facilities and equipment, and the like. (RCW 35.21.280 and 36.38.010)

316.30 **PARKING TAX.** A tax imposed upon all persons engaged in a commercial parking business within the boundaries of an incorporated city or unincorporated county. (RCW 82.80.030)

(316.40) **BUSINESS AND OCCUPATION TAXES ON PRIVATELY OWNED UTILITIES** (Summary Account)

Note: Although commonly referred to as B&O tax, this is actually a gross receipts tax.

316.41 **ELECTRIC**
316.42 **WATER**
316.43 **GAS**
316.44 **SEWAGE**
316.45 **GARBAGE/SOLID WASTE**
316.46 **CABLE**
316.47 **TELEPHONE**
316.48 **STEAM**
316.49 **OTHER**

(316.50) **BUSINESS AND OCCUPATION TAXES ON UTILITIES OF OTHER GOVERNMENTS** (Summary Account)

316.51 **ELECTRIC.** Excise tax locally levied. If state shared, use 335.00.91.
316.52 **WATER**
316.53 **GAS**
316.54 **SEWAGE**
316.55 **GARBAGE/SOLID WASTE**
316.56 **CABLE**
316.57 **RAILROAD**
316.58 **STORM DRAINAGE**
316.59 **OTHER**

(316.70) **TAXES BILLED TO CUSTOMERS OF GOVERNMENT'S OWN UTILITIES** (Summary Account)

This account is restricted to include only those taxes directly passed on to the consumer. Such taxes must be shown on utility bills to customers. These taxes are not revenues to the utility, only to the general fund. See account 314 for business and occupation taxes levied on the revenues (or other activity basis) of a government's own utility.

316.71 **ELECTRIC**
316.72 **WATER**
316.73 **GAS**
316.74 **SEWAGE**
316.75 **GARBAGE/SOLID WASTE**
316.76 **CABLE**
316.77 **TELEPHONE**
316.78 **STORM DRAINAGE**
316.79 **OTHER**

(317) **EXCISE TAXES** (Summary Account)

Taxes levied on the sale, production or consumption of certain commodities. Also, taxes levied for certain privileges.

(317.10) **LOCAL MOTOR VEHICLE FUEL/EXCISE TAX** (Summary Account)

317.11 **MASS TRANSIT.** A tax imposed on all motor vehicles owned by the residents of city or county. Moneys must be spent on public transportation systems. (RCW 35.58.273 and 82.44.150(3)(4))

317.12 **HIGH CAPACITY TRANSPORTATION (HCT).** A tax imposed on employers based on number FTEs (RCW 81.104.150) and on all motor vehicles (RCW 81.104.160(1)) solely for the purpose of providing high capacity transportation service.

317.13 **HIGH OCCUPANCY VEHICLE (HOV) SYSTEMS.** A tax imposed on employers (RCW 81.100.030) and on all motor vehicles for HOV lane development, mitigation of environmental impacts of HOV development, support of employer programs to reduce single occupant commuting, and commuter rail programs. (RCW 81.100.060)

317.14 **BORDER AREA JURISDICTIONS.** A tax imposed on the sale of motor vehicle fuel and special fuel. Proceeds shall be used for the purposes of border area jurisdiction street maintenance and construction. (RCW 82.47.020 and .030)

317.20 **LEASEHOLD EXCISE TAX.** Taxes on property owned by state or local governments and leased to private parties. (RCW 82.29A.090)

(317.30) **REAL ESTATE EXCISE TAX (REET)** (Summary Account)

317.31 **COUNTY TREASURER'S COLLECTION FEE (RCW 82.45.180 and 82.46.030)**

317.34 **REET 1 - FIRST QUARTER PERCENT.** Excise tax imposed on the sale of real property and dedicated to local capital projects identified in RCW 82.46.010(2)(6). Proceeds should be placed in the capital improvement fund. (RCW 82.46.030(2) and 82.45.180(2))

317.35 **REET 2 - SECOND QUARTER PERCENT.** An additional excise tax on sale of real property. Proceeds should be used solely for financing capital projects specified in a capital facilities plan. (RCW 82.46.035)

317.36 **REET - ONE HALF PERCENT.** An additional tax on sale of real property imposed in-lieu of sales and use tax authorized in RCW 82.14.030(2). (RCW 82.46.101(3))

317.37 **CONSERVATION AREAS.** An additional excise tax on sale of real property imposed by counties and used exclusively for the acquisition and maintenance of conservation areas. (RCW 82.46.070)

(317.40) **HOUSEHOLD TAXES** (Summary Account)

Excise tax levied and collected from residents and used to support selected government's operations.

317.41 **ENHANCED 911 - SWITCHED ACCESS LINES (RCW 82.14B.030)**
317.42 **ENHANCED 911 - WIRELESS ACCESS LINES (RCW 82.14B.030)**
317.43 **MUNICIPAL PUBLIC TRANSPORTATION SYSTEM (RCW 35.95.040)**
317.44 **AMBULANCE SERVICES (RCW 35.21.768)**
317.49 **OTHER**

(317.50) **GAMBLING EXCISE TAXES (RCW 9.46.110, .113 and .270)** (Summary Account)

317.51 **PUNCH BOARDS AND PULL TABS**
317.52 **BINGO AND RAFFLES**
317.53 **AMUSEMENT GAMES**
317.54 **CARD GAMES**

317.70 **OPERATING ASSESSMENTS.** A tax levied by a local government to support particular operations. These assessments are distinguished from general property taxes because the basis of allocation is not the assessed value of real or personal property. Assessments levied to finance local capital improvements are accounted for in account 368.

317.90 **OTHER**

318.00 **OTHER TAXES.** Taxes levied for purposes not otherwise included in accounts 311 through 317.

(319) **PENALTIES AND INTEREST ON DELINQUENT TAXES** (Summary Account)

Penalties for the payment of taxes after due date, and the interest charged on delinquent taxes from the due date to the date of actual payment. Penalties for capital assessment should be coded 361.51.

(319.10) **PENALTIES AND INTEREST ON REAL AND PERSONAL PROPERTY TAXES** (Summary Account)

319.11 **PENALTIES ON REAL AND PERSONAL PROPERTY TAXES (RCW 84.56.020(1)(2), 84.33.120(8) and 84.33.140(4))**
319.12 **PENALTY FOR FAILURE TO LIST PERSONAL PROPERTY (RCW 84.40.130)**
319.15 **OTHER PENALTIES**
319.16 **INTEREST ON REAL AND PERSONAL PROPERTY TAXES (RCW 84.56.020)**
319.19 **OTHER INTEREST**

319.30 **PENALTIES AND INTEREST ON RETAIL SALES AND USE TAXES**

319.60 **PENALTIES AND INTEREST ON BUSINESS TAXES**

319.80 **PENALTIES AND INTEREST ON OTHER TAXES.** Include penalties for delinquent operating assessments (e.g., irrigation assessment - RCW 87.03.270).

(320) **LICENSES AND PERMITS** (Summary Account)

Charges for the issuance of licenses and permits. Not a charge for inspections (see 342.40).

Licenses are required by municipalities for selected trades, occupations and other activities for regulatory purposes. These businesses and activities are selected because of health, safety, or security hazards which might arise in the absence of regulation. Licenses may be accompanied by inspections of the premises by city, county, or state departments. Inspection may be repeated upon renewal of the license. License fees are usually designed to cover the cost of administration, inspection and continuing services in connection with regulation. If inspection charges are assessed separately, they should be coded 342.40.

Permits are issued to aid regulation of new business activities. Some represent public control over private activity while other permits regulate private use of public property. Issuance of permits protects the property from dangerous or unauthorized use.

(321) **BUSINESS LICENSES AND PERMITS** (Summary Account)

Proceeds from the issuance of licenses and permits to businesses and occupations which must be licensed before doing business within a governmental unit. Not a charge for inspections. (See 342.40.)

321.10 **ALCOHOLIC BEVERAGES**

321.20 **HEALTH**

321.30 **POLICE AND PROTECTIVE.** Include fireworks permits.

321.50 **PUBLIC UTILITIES**

321.60 **PROFESSIONAL AND OCCUPATIONAL.** (E.g., antique dealers, taxicab operation licenses, auctioneers, taxicab driver permits, etc.)

321.70 **AMUSEMENTS.** (E.g., amusement devices, carnivals and circuses, billiard and card tables, dance and dance hall licenses, etc.)

321.80 **PENALTIES ON BUSINESS LICENSES**

321.90 **OTHER BUSINESS LICENSES AND PERMITS.** Include general business licenses and permits not includable in any other specific account number, such as vending machine licenses.

321.91 **FRANCHISE FEES.** Charges levied on private utilities for the right to use public property.

Note: Exceptions for cities and towns in RCW 35.21.860.

(322) **NON-BUSINESS LICENSES AND PERMITS** (Summary Account)

322.10 **BUILDINGS, STRUCTURES AND EQUIPMENT** Not a charge for inspections. (See 342.40, 345.83.) (E.g., building permits - commercial - residential, plumbing permits, electrical permits, septic tank permits, etc.)

322.20 **MARRIAGE LICENSES**

322.30 **ANIMAL LICENSES**

322.40 **STREET AND CURB PERMITS** Not a charge for inspections. (See 342.40, 345.83.) (E.g., overload permits (RCW 46.44.096), temporary street and/or sidewalk closures, taxi and other zone permits, etc.)

322.80 **PENALTIES ON NON-BUSINESS LICENSES**

322.90 **OTHER NON-BUSINESS LICENSES AND PERMITS** (E.g., gun permits)

329.00 **INTERFUND LICENSES AND PERMITS** (Quasi-External Transactions)

Licenses, permits, fees assessed against one fund for the benefit of another fund of the same governmental entity.

(330) INTERGOVERNMENTAL REVENUE (Summary Account)

Grants, entitlements, shared revenues and payments for goods and services provided by one government to another. Private grants are recorded in account 367 and intergovernmental loans are recorded in 382.80 or 391.80.

(331) DIRECT FEDERAL GRANTS (Summary Account)

Cash or other assets furnished by the federal government to local governments under contractual arrangements that provide aid to local governments. Programs provided by the federal government are classified into 15 types of assistance: eight nonfinancial and seven financial types of assistance.

The seven types of financial assistance that are available to state and local governments are:

1) formula grants
2) project grants
3) direct payments (direct payments for specific use and unrestricted use)
4) direct loans
5) guaranteed/insured loans
6) insurance
7) sale, exchange, or donation of property and goods

Most federal financial assistance is in the form of cash awards. However, there are programs that do not involve cash transactions (e.g., food stamps, food commodities, loan guarantees, interest-rate subsidies, or insurance).

Direct federal grants are distinguished from indirect grants by the fact that direct grants are received from a federal department or agency without passing through an intermediary state or local government or other nonfederal agency. All direct federal grants should be coded using this account number. Federal loans are recorded in account 382.80 or 391.80.

Coding Instructions

The following coding procedures apply to federal grant moneys. You may also code capital grants associated with proprietary funds by using accounts 383 or G.L. accounts 271 and 272 with these coding instructions. They apply whether such arrangements are called *awards*, *grants*, *block grants*, s*ubsidies*, *programs*, *cost reimbursements*, *contracts*, or *agreements*. The coding does not apply to entitlements, shared revenues, or intergovernmental service revenues (see Revenue Accounts 332, 335, 336, and 338).

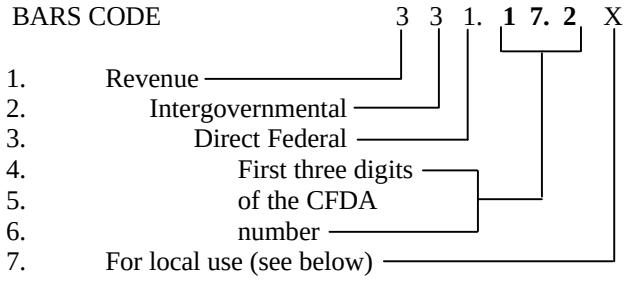
Federal Grants Other Than Department of Health and Human Services (DHHS)

All codes for federal grants are abbreviated versions of the numbers assigned by the federal government itself in the Catalog of Federal Domestic Assistance (CFDA). There are two strategies: one for DHHS grants and one for all other federal grants.

Most agreements with federal agencies include references to the funding program in the first few paragraphs of the agreement. The exact title of the funding program is what you need to find the catalog number.

Grants from all federal agencies except DHHS will be coded using the first three digits of the number assigned that program in the Catalog of Federal Domestic Assistance (CFDA).

Example: An entity receives a direct federal grant. The title of the grant is Senior Community Service Employment Program. The CFDA number is 17.235. The BARS code for this grant is 331.17.2X.

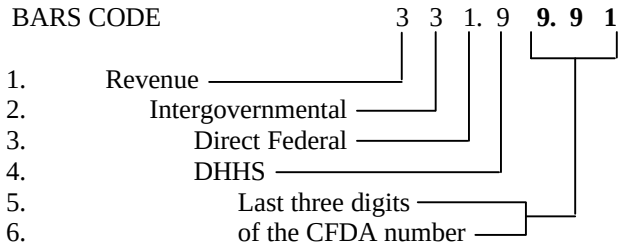


If more than one grant with the same CFDA number is received, use the seventh digit (shown by X) to distinguish them. You may also use the seventh digit to distinguish different program years of the same grant.

Federal Grants - Department of Health and Human Services

Grants from the federal DHHS will be coded using the last three digits of the CFDA number preceded by a 9. The catalog number of all DHHS grants begins with 93. Since there are numerous DHHS grants to distinguish and since the BARS is limited to 7 digits, we substituted the one-digit number 9 for the 93.

Example: An entity receives a direct federal grant. The title of the grant is Preventive Health and Health Services Block Grant. The CFDA number is 93.991. The BARS code for this grant is 331.99.91.



(332) FEDERAL ENTITLEMENTS, IMPACT PAYMENTS, AND IN-LIEU TAXES (Summary Account)

Cash furnished by the federal government to local governments based on a distribution formula. Entitlements are distributed per capita or based on some eligibility requirements. Typically, there are few or no restrictions on how federal entitlements may be spent.

Note that federal aid for secondary highways (FAS), federal aid-municipal (FAM), etc., are accounted for in 333.20.2X.

332.10.60 PAYMENT IN-LIEU OF TAX

U.S. Department of Agriculture, Forest Services

Payments distributed under Public Law 99-663 for the Columbia River Gorge National Scenic Area.

332.12.00 MILITARY FOREST YIELD

Counties' share of forest receipts from military installations remitted by the state treasurer (Title 10, USC, Section 2665). These moneys are to be spent on public roads and public schools.

Note: These funds meet the definition of federal financial assistance described in Section 105 of OMB Circular A-133 and are subject to a single audit.

332.12.10 FEDERAL FLOOD CONTROL LEASES

Counties' share of the receipts from leases of federal lands acquired for flood control, navigation, and related purposes. These moneys are remitted by the state treasurer and may be used for any expense of county government. Alternatively, these receipts may be passed on to flood control districts or diking and drainage districts. (Title 33, USC, Section 701c-3, RCW 36.34.220)

332.15.21 TAYLOR GRAZING LEASES

Counties' share of the receipts from grazing leases on federal lands outside grazing districts, remitted by the state treasurer, usually in October. (Title 43, USC, Section 315i, RCW 79.28.040)

332.15.22 FEDERAL GEOTHERMAL LEASES

Counties' share of rentals and royalties from leases pursuant to the U.S. Geothermal Steam Act of 1970, remitted by the state treasurer. (Title 30, USC, Section 191 and 1001, RCW 43.140.040)

332.15.23 PAYMENT IN-LIEU OF TAX

U.S. Department of the Interior, Bureau of Land Management

Payments are made to each unit of local government in which federally owned entitlement land is located. Funding limitations may require prorata payments. Funds received are subject to post-audit review of data submitted by the state. (Title 31, USC, Section 6902, P.L. 97-258)

332.15.24 ACQUIRED SETTLEMENT LANDS

U.S. Department of the Interior, Bureau of Reclamation

Counties share of the aggregate funds derived by the U.S. from the leasing of acquired settlement lands (Columbia Basic Project Act).

332.15.60 PAYMENT IN-LIEU OF TAX

U.S. Department of the Interior, U.S. Fish and Wildlife Service

Funds are paid to the county and are further distributed by it on a proportional basis to those units of local government which have wildlife refuge lands and waters administered by the Secretary of the Interior. Payments are made to those local governments which have incurred a loss or reduction of real property tax revenue due to the existence of the wildlife refuge lands. (Refuge Revenue Sharing Act, as amended Title 16, USC, Section 715s.)

332.21.00 EQUITABLE SHARING OF FEDERALLY FORFEITED PROPERTY

U.S. Department of Justice
U.S. Department of Treasury

Payments made to local law enforcement agencies that directly participated in investigation or prosecution that resulted in a federal forfeiture of property.

332.81.10 PAYMENT IN-LIEU OF TAXES

U.S. Department of Energy

Funds are paid to Benton County and are further distributed by it on a proportional basis to those units of local government included in a settlement agreement with the Department of Energy.

(333) **INDIRECT FEDERAL GRANTS** (Summary Account)

Indirect federal grants are distinguished from direct grants by the fact that they are passed through one or more intermediary governments or nonfederal agencies before reaching the local government.

See direct federal grants (331) for coding instructions. Make sure to use 333 instead of 331 if the federal grant is indirect.

Federal loans are recorded in account 382.80 or 391.80.

Note that federal aid for secondary highways (FAS), federal aid - municipal (FAM), etc., are accounted for in this Basub, at 333.20.2X.

(334) **STATE GRANTS** (Summary Account)

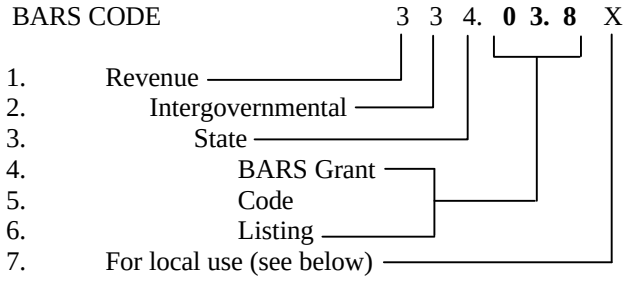
Cash or other assets furnished by the state government to local governments directly or indirectly, through another local government, under contractual arrangements that provide aid to local governments. Code state grants by the state agency which provides the grant, using the element, subelement and unit fields. Do not confuse state grants with grants received from the state but originating with the federal government; when the state is acting as an agent of the federal government, the grants should be classified as indirect federal grants, account 333. Be careful to segregate federal indirect moneys from state matching grants, which may be paid on the same state remittance.

Coding Instructions

The following coding procedures apply to all state grant moneys. They apply whether such arrangements are called *awards*, *grants*, *block grants*, *subsidies*, *programs*, *cost reimbursements*, *contracts*, or *agreements*.

Grants from all state agencies will be coded using the three digit code listed on the following page.

Example: An entity receives a state grant from the Transportation Improvement Board (03.8X). The BARS code for the grant is 334.03.8X.



If more than one grant is received from the same agency, use the seventh digit (shown by X) to distinguish them. You may also use the seventh digit to distinguish different program years of the same grant.

STATE AGENCIES

00.1X Legislature and its Committees
00.2X Office of the Governor
00.3X Secretary of State
00.4X Office of Financial Management
00.5X Department of Personnel
00.6X Department of Retirement Systems
00.7X Department of General Administration
00.8X Department of Licensing
00.9X Department of Revenue

01.0X Office of Attorney General
01.1X Criminal Justice Training Commission
01.2X Other Judicial Agencies
01.3X State Patrol
01.4X Gambling Commission
01.5X Department of Corrections
01.7X Other Corrections Agencies
01.8X Military Department
01.9X Lottery Commission

02.1X Department of Agriculture
02.2X Agricultural Commissions
02.3X Department of Natural Resources
02.4X Department of Parks and Recreation
02.5X Department of Fish and Wildlife
02.7X Interagency Committee for Outdoor Recreation
02.8X Utilities and Transportation Commission

03.1X Department of Ecology
03.2X Other Environmental Agencies
03.3X Conservation Commission
03.5X Traffic Safety Commission
03.6X Department of Transportation
03.7X County Road Administration Board
03.8X Transportation Improvement Board
03.9X Other Transportation Agencies

04.2X Department of Community, Trade and Economic Development
04.3X Human Rights Commission
04.5X Department of Veterans Affairs
04.6X Department of Social and Health Services
04.7X Department of Employment Security
04.8X Minority Commissions and Councils
04.9X Department of Health

05.1X Superintendent of Public Instruction
05.2X Work Force Training and Education Coordinating Board
05.3X Higher Education Coordinating Board
05.4X Universities and Four-Year Colleges
05.5X Community and Technical Colleges
05.6X Other Educational Agencies
05.7X State Library
05.8X Arts Commission

06.9X Other Agencies

INTERLOCAL GRANTORS

07.0X-09.99

(335) STATE SHARED REVENUES (Summary Account)

Moneys which represent the local government's portion of a revenue levied and collected by the state. State shared revenues differ from state-collected revenues, which are levied by the local government itself but collected and distributed by the state (such as local sales taxes). State shared revenues differ from state entitlements and impact payments by the nature of the distribution. State shared revenues are distributed in proportion to amounts collected in each local jurisdiction; state entitlements and impact payments are distributed per capita or based on some eligibility requirements. Some revenues previously included in the 335 accounts have been reclassified as state grants (the urban arterial and county ferry portions of motor vehicle fuel taxes, and snowmobile registration fees) and others have been reclassified as state entitlements (most motor vehicle fuel taxes, motor vehicle excise taxes, fire insurance premium taxes, liquor board profits and excise taxes, harbor lease revenues and parimutuel taxes.) Specific coding is prescribed below.

335.00.82 MOTOR VEHICLE EXCISE TAX--COUNTY PUBLIC HEALTH

State distributed motor vehicle excise tax and other moneys to be used by county health departments for public health purposes. (RCW 70.05.125)

335.00.83 MOTOR VEHICLE EXCISE TAX--REGULAR

State-distributed excise tax imposed on motor vehicles. The distribution to cities and towns is based on population. These moneys must be used for public transportation purposes. (RCW 82.44.150)

335.00.84 CAPRON REFUNDS (ISLAND AND SAN JUAN COUNTIES)

State distribution of motor vehicle license and fuel taxes paid by residents of these two counties. Distribution is based on fees paid by county residents, then allocated to cities and towns on the basis of assessed valuation. These moneys must be deposited into a road or street fund. (RCW 46.68.080)

335.00.91 PUD PRIVILEGE TAX

State distribution of excise taxes collected from public utility districts which operate facilities for generating, distributing or selling electrical energy. The distribution to local governments is based on gross revenues from sales within each county and on the locations of generating facilities. (RCW 54.28.020 and .050) Local taxes on PUD operations belong in account 316.50. County treasurer collections from the state are distributed per RCW 54.28.090.

335.02.31 REFORESTATION HARVEST TAX

State distribution of harvest taxes on reforestation timber; the tax is based on the stumpage value of harvested timber. The Department of Revenue distributes these receipts to the county treasurer, who distributes them to local taxing districts on the basis of assessed valuation. (Chapter 84.33 RCW)

335.02.32 NON-TIMBER REVENUE FROM STATE FOREST LAND

Counties' share of proceeds from leases and sales of products, other than timber, from state forest lands managed by the Department of Natural Resources. The county should prorate and distribute the money to other funds in the same manner as general taxes are paid and distributed that year. (RCW 76.12.120)

335.02.33 SALE OF TIMBER FROM STATE FOREST LAND

Counties' share of proceeds from sale of timber from state forest lands managed by the Department of Natural Resources. The county should prorate and distribute the money to other funds in the same manner as general taxes are paid and distributed that year. (RCW 76.12.030, .120)

(336) STATE ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES (Summary Account)

Moneys furnished by the state government to local governments based on a distribution formula, either per capita or according to some eligibility criteria, such as local taxing efforts, qualifying employees, or clients served. Unlike federal entitlements, state entitlements generally do contain restrictions on how the moneys may be spent; this makes state entitlements somewhat analogous to federal categorical grants, but unlike grant resources, the entitlement moneys may be commingled with other functionally dedicated resources and a separate accounting for the expenditure of entitlement dollars is not required.

336.00.81 LOCAL VEHICLE LICENSE FEES

State distribution of county imposed additional vehicle license fees. This local option transportation revenue should be used strictly for transportation purposes. (RCW 82.80.020)

336.00.84 VESSEL REGISTRATION FEES

Money allocated to counties with eligible boating safety programs approved by the State Parks and Recreation Commission. Distribution based on the number of registered vessels by county of moorage. The county is responsible for equitable allocation to other jurisdictions with approved programs within this county. (RCW 88.02.040 and .045)

336.00.86 MOTOR VEHICLE EXCISE TAX-EQUALIZATION-SPECIAL DISTRIBUTION

An initial distribution from the Municipal Sales Use Tax Equalization Account to the cities and towns which do not levy an optional local sales tax. (RCW 82.14.210(2))

336.00.87 MOTOR VEHICLE FUEL TAX-CITY STREETS

State-distributed taxes on motor vehicle fuels, to be used for city street purposes. Distribution is based on population. (RCW 46.68.070, .110, 47.24.040 and Chapter 35.76 RCW)

336.00.88 MOTOR VEHICLE FUEL TAX-ARTERIAL STREETS (HIGHWAYS)

State-distributed taxes on motor vehicles and special fuels, to be used for construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets and related debt service. Cities with population less than 15,000 may use for the maintenance of arterial highways and city streets. (RCW 46.68.070)

336.00.89 MOTOR VEHICLE FUEL TAX-COUNTY ROAD

State-distributed taxes on motor vehicle and special fuels, to be used for county road purposes. Distribution is based on population in unincorporated areas, on the miles of county roads reported by the county engineer to the Dept. of Transportation, and on the amounts of road taxes and certain other taxes. (Ch. 36.82 RCW, RCW 46.68.070, .090, .120, .122 and .124)

336.00.90 MOTOR VEHICLE FUEL TAX (MVFT)-HIGHWAY PURPOSES

State distribution of county-imposed additional taxes on motor vehicle and special fuels. This local option transportation revenue is to be used for the construction, maintenance and operation of city streets, county roads, and state highways; operation of ferries; and related activities. Distribution is based on the population. (RCW 82.80.010 and .080)

336.00.92 MVFT—COUNTY FERRIES

State distributed taxes on motor vehicle and special fuels. Reimbursement of deficits incurred by Pierce, Skagit, and Whatcom counties in the operating and maintenance of ferry systems owned by the counties. (RCW 47.56.725)

336.00.93 MOTOR VEHICLE LICENSE FEES

State distribution of additional motor vehicle license fee to counties which do not cover their costs of providing motor vehicle licensing services. (RCW 46.68.220)

336.02.11 FAIR FUND

The Department of Agriculture distribution from the fair fund. The distribution is based on reports furnished by county fairs to the Department of Agriculture. (RCW 15.76.115 and 67.16.105(4))

336.02.35 HARBOR LEASES

State distribution of income from leases of state-owned tidelands, harbor areas and waterways. The entire amount distributed to local governments must be deposited into a special fund and must be used only for harbor or waterfront improvements. (RCW 79.90.055 and 79.92.110)

336.02.51 PAYMENT-IN-LIEU-OF-TAXES--GAME LANDS

The Department of Fish and Wildlife payments to counties in lieu of real property taxes on the game lands. (RCW 77.12.203)

336.04.11 CENTENNIAL DOCUMENT PRESERVATION

State treasurer's distribution of revenue from the surcharge on documents recorded by the county auditor. The money should be placed in Auditor's Operation and Maintenance Fund and used solely for ongoing preservation of historical documents of all county offices and departments. (RCW 36.22.170)

336.04.21 I 695 REPLACEMENT FUNDS—COUNTIES (CRIMINAL JUSTICE)

State distributed financial assistance for the superior court system, police operations, crime prevention, care and custody of prisoners, and legal services.

336.04.22 I 695 REPLACEMENT FUNDS—CITIES (CRIMINAL JUSTICE AND OTHER OPERATIONS)

State distributed financial assistance for the municipal court system, police operations, fire protection services, transportation, care and custody of prisoners and legal services.

336.04.23 I 695 REPLACEMENT FUNDS—COUNTIES (PUBLIC HEALTH)

State distributed financial assistance for the purpose of public health.

336.04.24 I 695 REPLACEMENT FUNDS—CITIES AND COUNTIES (TRANSIT)

State distributed financial assistance for transit purposes.

336.04.61 INSTITUTIONAL IMPACT PAYMENTS

The DSHS and DOC reimbursements for criminal justice costs incurred directly as a result of crimes committed by offenders residing in institutions under their jurisdictions. (RCW 72.72.030)

336.06.10 MOTOR VEHICLE EXCISE TAX (MVET)--CRIMINAL JUSTICE FUNDING--HIGH CRIME

State-distributed excise tax. This portion is allocated to counties based on population, crime rate and annual number of criminal cases filed in the county superior courts **or** to qualified cities based on population, subject to crime rate and levy of tax authorized in RCW 82.14.030. The entire distribution must be expended for criminal justice purposes and shall not be used to replace or supplant existing funding. (RCW 82.14.310 and .320) For details see Part 3, Chapter 12, Interpretation 12.

336.06.20 MVET--CRIMINAL JUSTICE FUNDING--SPECIAL DISTRIBUTION--CITIES

336.06.21 MVET--CRIMINAL JUSTICE FUNDING--VIOLENT CRIMES/POPULATION

State-distributed excise tax to be used for criminal justice purposes only. Include distribution to cities with high violent crime rate (RCW 82.14.330(1)(a)) and distribution based on population (RCW 82.14.330(1)(b)).

336.06.22 MVET--CRIMINAL JUSTICE FUNDING--PROGRAM AREA 1

State-distributed excise tax to be used for criminal justice purposes only. To be eligible for this distribution, a city has to meet the criteria established by the Department of Community, Trade and Economic Development for innovative law enforcement strategies. (RCW 82.14.330(2)(a))

336.06.23 MVET--CRIMINAL JUSTICE FUNDING--PROGRAM AREA 2

State-distributed excise tax to be used for criminal justice purposes only. To be eligible for this distribution, a city has to meet the criteria established by the Department of Community, Trade and Economic Development for programs helping at-risk children or child abuse victims. (RCW 82.14.330(2)(b))

336.06.24 MVET--CRIMINAL JUSTICE FUNDING--PROGRAM AREA 3

State-distributed excise tax to be used for criminal justice purposes only. To be eligible for this distribution, a city has to meet the criteria established by the Department of Community, Trade and Economic Development for programs reducing the level of domestic violence. (RCW 82.14.330(2)(c))

336.06.25 MVET--CRIMINAL JUSTICE FUNDING--PROGRAM AREA 4

State-distributed excise tax to be used for criminal justice purposes only. To be eligible for this distribution, a city has to meet the criteria established by the Department of Community, Trade and Economic Development for contracting with another governmental agency for a majority of its law enforcement services. (RCW 82.14.330(2)(d))

336.06.31 ADULT COURT COST--JUVENILE OFFENDERS

The money should be used solely for county adult court cost associated with implementation of revised Juvenile Justice Act (Chapter 7, Laws 2001, 2nd Special Session, Section 203(a)).

336.06.32 JUVENILE REHABILITATION--IMPACTED COUNTIES

The money should be used to provide funding for county impacts associated with implementation of the Third Substitute Senate Bill 3900 (Chapter 7, Laws 2001, 2nd Special Session, Section 203(b)).

336.06.33 MVET--CRIMINAL JUSTICE FUNDING--RURAL (DISTRESSED) COUNTIES

State-distributed motor vehicle excise tax to be used for criminal justice and other purposes. To be eligible for this distribution, a county must meet the criteria of a rural (distressed) county as described in RCW 82.14.370. (RCW 82.14.380)

336.06.51 DUI/OTHER CRIMINAL JUSTICE ASSISTANCE

State distributed revenue to counties and cities for the cost of implementation of the DUI and other criminal justice statutes (Chapter 7, Laws 2001, 2nd Special Session, Sections 802 and 803).

336.06.91 FIRE INSURANCE PREMIUM TAX

State-distributed taxes on fire insurance premiums. Distribution is based on the local government's report to the state treasurer of the number of paid firemen. The entire amount received by a local government must be deposited in a firemen's pension fund. (RCW 41.16.050)

336.06.92 AUTOPSY COST REIMBURSEMENT (RCW 68.50.104)

336.06.94 LIQUOR EXCISE TAX

State-distributed taxes on liquor sold at state liquor stores and agencies and on other retail sales of wine. Distribution is based on population, except that local governments that prohibit the sale of liquor within their jurisdictions do not share in the distribution. Two percent of the total amount must be spent on substance abuse treatment program(s). See Part 3, Chapter 12, Interpretation 4. Also include distribution from the tax imposed on all beer. (RCW 82.08.150 through .170, 66.08.195, .200, .210, 66.24.290, 70.96A.085 and .087)

336.06.95 LIQUOR CONTROL BOARD PROFITS

State distribution of license and permit fees, penalties, forfeitures, and other income received by the state Liquor Control Board. Distribution is based on population, except that local governments that prohibit the sale of liquor within their jurisdictions do not share in the distribution. Two percent of the total amount must be spent on substance abuse treatment program(s). See Part 3, Chapter 12, Interpretation 4. (RCW 66.08.170 through .210, 70.96A.085 and .087)

(337) INTERLOCAL GRANTS, ENTITLEMENTS, IMPACT PAYMENTS AND IN-LIEU TAXES (Summary Account)

Cash or other assets furnished by one unit of local government to another unit of local government, other than for services rendered or goods provided. Note that a receipt for the other government's share of a joint cost should either be treated as a reimbursement (see the Glossary for explanation) or accounted for in 338. Use 367 for grants from private sources.

Do not confuse interlocal grants with grants received from another local government but originating from the federal or state government. These grants should be coded as 333 or 334.

Interlocal grants, entitlements, etc., are generally allowed to be made only by home rule counties and charter cities. However, RCW 35.21.420, .422 and 54.28.110 permit certain impact payments by public utility departments and districts and RCW 35.21.730 permits such distributions of private funds (distributions of federal funds should be recorded in 333). In addition, various statutes allow cooperative undertakings in areas such as urban renewal, public housing, parks, and utilities that may involve interlocal grants and similar payments.

Interlocal revenues should be coded as to source, with the local government assigning codes 07.00 through 09.99 in the fourth and subsequent digits of the account number.

(338) INTERGOVERNMENTAL SERVICE REVENUES (Summary Account)

This account is used to record the revenue derived by one unit of government for performing a service that is the statutory responsibility of another unit of government. Shared costs of providing services are included within these accounts. These accounts will appear on the books of the governmental unit that actually performs the work. The payment may be based on actual costs or a fixed fee. What is recorded as a 338-type revenue by the performing government should result in a subobject 51 expenditure by the paying government.

The specific accounts prescribed below are comprised of the Basub account 338 plus the expenditure Basub of the service that is being paid for. This account is not to be used for:

Revenues of internal service funds or for services rendered by the government that are not governmental in nature (see the definition of a subobject 51), such as central stores, data processing, insurance and trust contributions, photocopies, sales of fuel or road materials, utility charges, equipment repair charges, engineering charges, equipment and property rentals.

Revenues derived from services that are the statutory responsibility of the government receiving the revenue, such as election costs, recording fees, treasurer's investment fees, licenses, building permits, and court fees and charges.

Also use this account to code federal funds received as fee for service.

338.11 LEGISLATIVE COMMITTEES AND ADVISORY BODIES
338.12 COURT COSTS
338.13 EXECUTIVE BOARDS AND COMMITTEES
338.15 LEGAL SERVICES
338.16 PERSONNEL SERVICES
338.19 OTHER GENERAL GOVERNMENT SERVICES (E.g., revenue for services provided for the collection of legal financial obligations (LFO) from offenders.)

338.21 LAW ENFORCEMENT SERVICES (Include sex offender registration fees received from the Washington State Patrol, RCW 43.43.540.)
338.22 FIRE CONTROL SERVICES
338.23 DETENTION AND/OR CORRECTION
338.24 PROTECTIVE INSPECTIONS (Use 320 series for sales of intergovernmental licenses and permits.)
338.25 EMERGENCY SERVICES
338.26 AMBULANCE, RESCUE AND EMERGENCY AID SERVICES
338.27 JUVENILE SERVICES
338.28 COMMUNICATIONS, ALARMS AND DISPATCH SERVICES (Use 342.80 for intergovernmental charges for central phone systems.)

338.31 ENVIRONMENTAL AND CONSERVATION SERVICES (E.g., weed control, pollution control, etc.)
338.36 CEMETERIES
338.39 ANIMAL CONTROL AND PEST/NUISANCE CONTROL SERVICES (Use 340 series for intergovernmental utility services.)

338.42 **ROAD AND STREET MAINTENANCE SERVICES** (Use 344 and 362 for intergovernmental sales of fuel and road materials, repair charges and rentals.)
338.46 **AIRPORTS, PORTS AND TERMINAL FACILITIES**
338.47 **TRANSIT SYSTEMS AND RAILROADS** (Include intergovernmental payments for shared costs of van pools and transportation of the elderly or disabled. Use 344 for intergovernmental fares, 362 for intergovernmental parking fees.)

338.51 **WELFARE SERVICES**
338.52 **EMPLOYMENT OPPORTUNITY AND DEVELOPMENT SERVICES**
338.53 **VETERANS SERVICES**
338.54 **CHILD CARE SERVICES**
338.55 **AGING SERVICES**
338.56 **SERVICES FOR DISABLED**
338.57 **COMMUNITY SERVICES**
338.58 **PLANNING AND COMMUNITY DEVELOPMENT SERVICES**
338.59 **HOUSING AND COMMUNITY SERVICES**

338.61 **HOSPITALS AND CONVALESCENT CENTERS**
338.62 **PUBLIC HEALTH**
338.63 **CORONER SERVICES**
338.64 **MENTAL HEALTH SERVICES**
338.66 **SUBSTANCE ABUSE SERVICES**
338.68 **DEVELOPMENTAL DISABILITIES SERVICES**
338.69 **OTHER HEALTH SERVICES**

338.71 **EDUCATIONAL PROGRAMS** (Use 347.80 for tuition fees)
338.72 **LIBRARY SERVICES**
338.73 **SPECTATOR AND COMMUNITY EVENTS**
338.74 **RECREATION PROGRAMS**
338.75 **CULTURAL AND RECREATIONAL FACILITIES**
338.76 **PARK FACILITIES**
338.79 **OTHER CULTURE AND RECREATION SERVICES** (Note that intergovernmental payments for admissions, tuitions, use fees, rents and leases should be coded 347 or 362.)

338.95 **ROAD AND STREET CONSTRUCTION SERVICES**

(340) **CHARGES FOR GOODS AND SERVICES** (Summary Account)

(341) **GENERAL GOVERNMENT** (Summary Account)

Charges for services rendered by public officials. Use this category ONLY for services not included in any other specific function or activity of the unit of government. (See accounts 342 through 349 and 361 through 366.) If the charges are made to another government, see the description of account 338 to determine whether to use 338 or 341. The amount of these charges is determined by law, custom or by an estimate of the worth of the service to the recipient. There is no necessary relationship between the charges and the cost of the service.

(341.20) **FILING AND RECORDING SERVICES** (Summary Account)

All court filings shown in account 341.20 are shared with the state, except for the special superior courts filing fees accounted for in 341.24 and 341.25. For district and municipal courts, only the local government's 68% should be recorded in this account. For superior courts, only the local government's 54% should be recorded in this account (RCW 36.18.025). Note that in municipal and district courts 1.75% of the local portion must be remitted to or spent on county crime victim and witness programs. This portion should be recorded by cities in account 237 or 386 when received and 586 when transferred to the county. Only counties should use 341.98 when they receive the money and 515.70 when they make payments to victims and witnesses. The filings shown in 341.22 and 341.26 (in district but not municipal courts) and 341.23 (in superior courts) are subject to a law library allocation, while the other filings are not. Do not include *costs* that are assessed or awarded incident to a judgment. In civil, probate, and domestic cases, the collection of costs awarded is a trust transaction (if BARS coding is used, receipts should be credited to account 237 or 386); for crimes and infractions, collection of costs assessed is recorded as a penalty (see account 357 for further explanation). The *filing fees* paid by a city to a district court for processing municipal court cases should be coded 338.12, while the fees collected for and remitted by the district court to the municipality should be accounted for as a trust transaction by the county.

341.21 **AUDITORS' FILINGS AND RECORDINGS** (RCW 36.18.010) For details see Part 3, Chapter 12, Interpretation 10.

341.22 **DISTRICT/MUNICIPAL COURT CIVIL FILINGS** (RCW 3.62.060 and 35.20.030) District courts should allocate from the local portion the sum of six dollars for each filing for the support of the law library. (RCW 27.24.070)

341.23 **SUPERIOR COURTS CIVIL, PROBATE AND DOMESTIC RELATIONS FILINGS** (RCW 36.18.014, 36.18.020(a)(b)(c)(d)(f)(g)(h)) Courts should allocate from the local portion a sum of twelve dollars (maximum to fifteen dollars) for each filing for the support of the law library. (RCW 27.24.070)

341.24 **DISPUTE RESOLUTION SURCHARGE** (RCW 7.75.035) A county legislative authority may charge up to ten dollars on civil filing fees and up to fifteen dollars on small claims actions. The surcharge must be remitted to county treasurer to be used solely for dispute resolution centers.

341.25 **WATER RIGHTS AND TORRENS ACT FILINGS.** These filings in superior courts are separated because they are not shared with the state. (RCW 90.03.190 and 65.12.780)

341.28 **DISTRICT/MUNICIPAL OTHER COURT FILINGS.** (E.g., transcripts, abstracts, and small claims.)

341.29 **SUPERIOR COURT OTHER FILINGS.** (E.g., transcripts, abstracts, wills without probate, petitions for modification and tax warrants.) (RCW 36.18.012 and .016(2)) These filings are not subject to a law library allocation.

(341.30) **RECORDS SERVICES** (Summary Account)

Charges for processing requests for records. Charges to other departments of the same government should be coded 349.

341.32 **DISTRICT/MUNICIPAL COURT RECORDS SERVICES.** Include fees for executing writs and furnishing certifications. These fees are shared with the state. Note that only the local portion should be recorded in this account and that 1.75% of the local portion must be remitted to or spent on county crime victim and witness programs.

341.33 **DISTRICT/MUNICIPAL COURT - ADMINISTRATIVE FEES.** Include name change fees (RCW 4.24.130), warrant preparation and deferred prosecution program fees (RCW 10.01.160). These fees are retained 100% locally. Also include local portion ($5) of crime lab analysis. The state portion ($95) is recorded in 386.96.

341.34 **SUPERIOR COURT RECORD SERVICES.** Include fees for executing writs of attachment and bond approvals, certificates of qualification, letters testamentary, statutory certifying and copy fees, fees for research (records search), fees for preparation of clerk's papers on appeals or change of venue, civil jury demands, etc. (RCW 36.18.016). Unlike similar fees in courts of limited jurisdiction, fees for these services in superior courts are not shared with the state.

341.35 **OTHER STATUTORY CERTIFYING AND COPY FEES.** See Chapter 36.18 RCW for fee schedules of the county auditor, sheriff and treasurer. Use 341.6X for copy fees established by local ordinance or resolution.

341.36 **AUDITORS' CENTENNIAL DOCUMENT PRESERVATION AND MODERNIZATION SURCHARGE.** Fifty percent of the two dollar surcharge for documents recorded in the county auditor's or recorder's office (the remaining 50% is remitted to the state treasurer). This portion of the surcharge should be deposited in the Auditor's Operation and Maintenance Fund for ongoing preservation of historical documents of all county offices and departments. (RCW 36.22.170) For details see Part 3, Chapter 12, Interpretation 10.

341.37 **SUPERIOR COURT - ADMINISTRATIVE FEES.** Include warrant preparation fees (RCW 10.01.160). Also include local portion of crime lab analysis ($5). The state portion is recorded in 386.96 ($95). The cost of bank services relating to the provisions of credit cards may also be recouped for court services (RCW 36.29.190).

341.38 **RECORDS SEARCH BY COUNTY AUDITORS.** See Chapter 36.18 RCW for fee schedules of the county auditor.

(341.40) **FINANCIAL SERVICES** (Summary Account)

341.41 **ASSESSORS' FEES.** (E.g., open space processing (RCW 84.34.030).) Use 341.60 for photocopies.

341.42 **TREASURERS' FEES.** Fees and charges for handling, administering, collecting, disbursing, and accounting for taxes or assessments collected for the county, state, or others (e.g., charges for establishing assessments rolls - RCW 36.29.180, processing fees for collecting forest fire protection assessment - RCW 76.04.610). Also include recovering costs associated with foreclosure, distraint and sale of property for delinquent taxes (RCW 84.56.020). Treasurer's investment fees are accounted for in 361.19. Penalties for delinquent irrigation assessments (RCW 87.03.270) and capital assessments should be coded 319.80 and 361.51, respectively.

341.43 **BUDGETING AND ACCOUNTING SERVICES.** (E.g., collection fees, etc.) Include intergovernmental revenues.

341.44 **AUDIT AND CONSULTING SERVICES**

341.45 **ELECTION SERVICES.** Charges to other governments for their prorata share of election costs. For details see Part 3, Chapter 12, Interpretation 8.

341.47 **RISK MANAGEMENT SERVICES**

341.48 **MOTOR VEHICLE LICENSE FEES.** Revenue from the state for providing vehicle licensing services (e.g., license tabs, tonnage, etc.) (RCW 46.01.140).

341.50 **SALES OF MAPS AND PUBLICATIONS.** Sales tax collected on these items is posted to account 386 or G.L. account 237.

(341.60) **WORD PROCESSING, PRINTING AND DUPLICATING SERVICES** (Summary Account)

341.62 **MUNICIPAL/DISTRICT COURT.** Include district and municipal fees for photocopies and fees for forms sold, except where the fee is set by state statute. (See 341.34 and 341.35) In district and municipal courts, 32% of these charges are distributed to the state; include only the local 68% here. Note that 1.75% of the court's local portion must be remitted to or spent on county crime victim and witness program.

341.65 **SUPERIOR COURT - WORD PROCESSING AND TRANSCRIPTION FEES.** Superior court services are not subject to the split to the state. Also include fees for photocopies and forms sold. These fees are retained 100%.

341.69 **OTHER WORD PROCESSING, PRINTING AND DUPLICATION SERVICES**

341.70 **SALES OF MERCHANDISE.** Include sales to other governments or private parties from central stores. (Use 348.70 or 349 for interfund sales.) Also include concession sales (including sales to inmates), vending machine proceeds, and sales of prepared meals. See 344 for sales of fuel, vehicle parts, and road materials. Sales tax collected on these items is posted to account 386 or G.L. account 237.

341.80 **DATA PROCESSING SERVICES.** Use 348.80 or 349 for interfund services.

341.90 OTHER GENERAL GOVERNMENT SERVICES

341.91 ELECTION CANDIDATE FILING FEES

341.92 PROPERTY MANAGEMENT SERVICES. Include relocation services. Use 348.92 or 349 for interfund services.

341.93 CUSTODIAL/JANITORIAL/BUILDING SECURITY. Use 349.18 for interfund services.

341.94 PURCHASING SERVICES. Do not include the price of items purchased (these should be coded either as reimbursements--a credit to the expenditure account--or as a sale of merchandise--341.70).

341.95 LEGAL SERVICES. Include public defender fees collected under contracts, unless assessed on judgment of a guilty defendant (see account 357). Use 349 for interfund legal services.

341.96 PERSONNEL SERVICES. Use 349.16 for interfund services.

341.97 EMPLOYEE BENEFIT PROGRAM SERVICES. Do not include trust contributions or premium payments (accounted for in 365, 366, or 369). Use 348.97 or 349.17 for interfund services.

341.98 COUNTY CRIME VICTIM AND WITNESS PROGRAMS. Amounts remitted to counties out of the local share of court revenues per RCW 7.68.035(4). Use 341.98.01 for the payment from district and municipal courts and 341.98.02 for the payment from superior courts. (See account 515.70 for expenditures.)

341.99 PASSPORT AND NATURALIZATION FEES. These fees are retained 100% locally.

(342) **SECURITY OF PERSONS AND PROPERTY** (Summary Account)

Current services rendered by departments performing public safety functions and activities. Revenue from private sources only. Intergovernmental revenue should be coded 338.2X.

342.10 **LAW ENFORCEMENT SERVICES.** Include fees charged by police and sheriff departments for crowd control and special patrol services. Also include sheriff's fees for conducting a sale, making seizures and serving papers, including the related mileage and making a return. Sheriff's fees for copies should be accounted for at 341.35 or 341.60. For sheriff's fees recovered in a criminal judgment, use account 357. Charges to other governments for providing their law enforcement are accounted for in 338.21. Recovery of emergency response cost from persons convicted for DUI should be coded 342.20, 342.50, or 342.60, depending upon type of service provided. (RCW 38.52.430)

342.20 **FIRE PROTECTION SERVICES.** Include service charges on personal property and improvements to real property. (Chapter 52.18 RCW)

342.30 **CHARGES FOR DETENTION AND CORRECTION SERVICES**

342.33 **ADULT PROBATION SERVICES.** Include monthly assessments per RCW 10.64.120; also include presentencing evaluation fees and DUI evaluation fees. These revenues are not shared with the state. Juvenile probation and diversion service charges are accounted for at 342.70.

342.36 **HOUSING AND MONITORING OF PRISONERS.** For example, charges collected in work release programs, electronic monitoring (RCW 26.50.060 and .110) or costs recovered from offenders for incarceration (RCW 9.94A.120, .145 and 10.01.160(2)). Use 338.23 for intergovernmental service charges. See 342.70 for juvenile detention.

342.37 **BOOKING FEES.** (RCW 70.48.390) Fees for photographs and fingerprints (adult or juvenile).

342.40 **PROTECTIVE INSPECTION FEES.** A fee for an inspection service (not a fee for a license or a permit). (See account 320.00.)

342.50 **EMERGENCY SERVICE FEES.** Fees for assistance in preparation for, response to, and recovery from disaster.

342.60 **AMBULANCE AND EMERGENCY AID FEES.** Fees for transportation and emergency medical aid to sick and injured.

342.70 **JUVENILE SERVICES.** Include diversion fines as well as fees for juvenile counseling, continuing diversion services, detention, probation and work release. (RCW 13.16.085, 13.40.080(2)(d), and .220). Public defender fees collected under contracts are accounted for at 341.95, unless assessed on judgment of a guilty defendant (see account 357). Recovery of damages to facilities during detention should be coded to 395.20. Restitution for damages to private property is a trust transaction; if BARS coding is used, receipts should be credited to account 237 or 386. All fines and fees collected for juvenile diversions stay with county to supplement juvenile services. (RCW 13.40.080(14)) Include non-refundable bail fee (RCW 13.40.056).

342.80 **COMMUNICATION SERVICES.** Include intergovernmental charges for central phone systems.

342.90 **OTHER**

(343) **UTILITIES AND ENVIRONMENT** (Summary Account)

Include fees and charges for the various services. Note: Include operating portion (i.e., cost of connection) of utility hook-up fees. The amount exceeding operating portion should be recorded in account 379.

(343.10) **NATURAL RESOURCE CONSERVATION AND CONTROL** (Summary Account)

Note: Operating assessments are coded in account 317.70.

343.11 **CONSERVATION SERVICES**
343.12 **IRRIGATION SERVICES**
343.13 **FLOOD CONTROL SERVICES**
343.16 **WEED CONTROL SERVICES.** Code permits to 320 series and fines to 350 series.
343.17 **POLLUTION CONTROL SERVICES.** Include the recovery of clean-up costs. Code permits to 320 series, fines to 350 series; intergovernmental payments for shared costs to 338.31.
343.18 **ENERGY CONSERVATION SERVICES**
343.19 **OTHER ENVIRONMENTAL PRESERVATION SERVICES**

343.20 **ENGINEERING SERVICES**

343.30 **SALES OF ELECTRICITY AND NATURAL GAS.** See Part 1, Chapter 6 for a discussion of operating revenues and their BARS classification.

343.40 **WATER SALES.** See Part 1, Chapter 6 for a discussion of operating revenues and their BARS classification.

343.50 **SEWER SERVICE.** See Part 1, Chapter 6 for a discussion of operating revenues and their BARS classification.

343.60 **CEMETERY SERVICES.** Lots, liners, markers, vases, mausoleum space, sexton services, opening and closing charges, miscellaneous cemetery revenues.

343.70 **GARBAGE/SOLID WASTE SERVICE.** (E.g., garbage collection service fees; dumping and sanitary fill charges; charges for container service, transfer stations, and refuse stations; and salvage fees.) See Part 1, Chapter 6 for a discussion of operating revenues and their BARS classification.

(343.80) **OTHER UTILITIES** (Summary Account)

343.81 **COMBINED WATER/SEWER/GARBAGE.** Use this account only if the individual sources of revenue are not separable.
343.83 **STORM DRAINAGE**
343.84 **CABLE**
343.89 **MISCELLANEOUS (**E.g., revenue related to street lights, etc.)

(343.90) **OTHER SERVICES RELATED TO ENVIRONMENT** (Summary Account)

343.92 **NUISANCE/PEST CONTROL FEES.** Use 350 series for fines.
343.93 **ANIMAL CONTROL AND SHELTER FEES.** Use 350 series for fines.
343.95 **ABATEMENT CHARGES.** Demolition and removal of hazards.

(344) **TRANSPORTATION** (Summary Account)

Transportation functions and activities applicable to roads and streets and other transportation facilities and systems. Use 348-349 for interfund charges.

344.10 **ROAD/STREET MAINTENANCE AND REPAIR CHARGES**

344.20 **SALES OF ROAD MATERIALS** (E.g., rock, gravel, sand and asphalt.)

344.30 **REPAIR CHARGES.** Revenues of mechanical shops, except parts.

344.40 **SALES OF PARTS.** Use for items issued to repair or maintain vehicles and heavy equipment.

344.50 **FUEL SALES**

344.60 **AIRPORT, PORT AND TERMINAL TARIFFS AND SERVICE FEES.** See Part 1, Chapter 6 for a discussion of operating revenues and their BARS classification. Use 362 for facility and equipment rentals and leases.

344.70 **TRANSIT AND RAILROAD TARIFFS AND FARES.** See Part 1, Chapter 6 for a discussion of operating revenues and their BARS classification. Use 362 for parking fees. Include private vanpool charges, streetcar and monorail fares and disabled/aging transportation fees.

344.90 **OTHER TRANSPORTATION FEES** (E.g., ferry tolls, etc.)

(345) **ECONOMIC ENVIRONMENT** (Summary Account)

Current services rendered by departments performing general economic or welfare functions and activities (e.g., commission on sale of food stamps).

345.10 **FAMILY COURT SERVICES.** The charges are set by local ordinance or resolution, often at an hourly rate, for providing counseling and evaluation in domestic relations. Also include an additional assessment for the courthouse facilitator program (use 345.10.02 for imposed user fees and 345.10.01 for the surcharge). (RCW 26.12.240)

345.13 **FAMILY CONCILIATION FEES.** Use 342.70 for fees charged for family reconciliation (juvenile) services under RCW 13.32A.040.

345.15 **ADOPTION HOME STUDIES**

345.40 **CHILD CARE SERVICES**

345.50 **AGING SERVICES.** Include adult day service fees. Use 341.70 for revenues from lunch programs, Meals on Wheels, and other food services; use 344.70 for senior transportation charges.

345.70 **INFORMATION SERVICES.** Fees for services such as presentations and consultations. Intergovernmental shared costs are coded 338.57. Use 341.50 for sales of publications.

(345.80) **PLANNING AND DEVELOPMENT SERVICES** (Summary Account)

Include fees associated with growth and development. Note that licenses and permits are coded in the 320 series. Intergovernmental shared costs are coded 338.58. Use 341.50 for sales of maps and publications.

345.81 **ZONING AND SUBDIVISION.** (E.g., developer fees and moneys collected from voluntary agreements allowing a payment in-lieu of a dedication of land or to mitigate a direct impact that has been identified as a consequence of a proposed development, subdivision, or plat.) Use 345.84 for moneys used for local off-site transportation improvements authorized by Chapter 39.92 RCW. (RCW 82.02.020)

345.83 **PLAN CHECKING.** Include fees for inspecting and reviewing plans. (RCW 82.02.020)

345.84 **LOCAL TRANSPORTATION ACT (LTA) IMPACT FEES.** (Not GMA Impact Fees -- see account 345.85) Include developer fees and moneys for off-site transportation improvements not yet constructed and for those jointly funded improvements constructed since the commencement of a transportation improvement program (RCW 39.92.040). Note: Contributions from private sources should be accounted for in 367.12.

345.85 **GROWTH MANAGEMENT ACT (GMA) IMPACT FEES.** Include fees and moneys collected on development activity to be used as part of the financing for public facilities such as: a) public streets and roads; b) publicly owned parks, open space, and recreation facilities; c) school facilities (unless the collecting government operates the school system, these fees should be recorded in an agency fund); and d) fire protection facilities in jurisdictions that are not part of a fire district - (RCW 82.02.050 through .090) in compliance with the Growth Management Act (RCW 36.70A.070). Note: Contributions from private sources should be accounted for in 367.12.

345.86 **SEPA RELATED MITIGATION FEES.** (Chapter 43.21C RCW). Note: Contributions from private sources should be accounted for in 367.12.

345.89 **OTHER PLANNING AND DEVELOPMENT.** Include fees for preparing environmental review documents and other mitigation payments.

345.90 **HOUSING SERVICES.** Include charges for minor home repairs, weatherization services, etc. Note that licenses and permits are coded in the 320 series. Use 342.40 for building inspection fees and use 362.60 for rent income.

(346) **MENTAL AND PHYSICAL HEALTH** (Summary Account)

346.10 **HOSPITAL AND CONVALESCENT CENTER.** Include amounts received for daily and ancillary services. Do not include amounts received for programs separately listed below.

346.20 **PUBLIC HEALTH CLINIC.** Include amounts received for daily and ancillary services. Do not include fees for programs separately listed below.

346.30 **SUBSTANCE ABUSE SERVICES.** Amounts received on behalf of recipients of substance abuse services. Include client fees, copayments, capitation payments and deductible payments and charges for services provided under a contract with a private entity. Do not include grants from any government agency. (See 330 series.) Local governments performing these services under contract with other governments should use account 338.

346.40 **MENTAL HEALTH SERVICES**

346.50 **ENVIRONMENTAL HEALTH SERVICES.** Include environmental lab fees, inspection fees, water system plan check fees, etc. Do not include fees or charges for licenses or permits such as sewage and design permits, food handler cards and licenses for sewage system designers, installers and pumpers. See accounts 321.10, 322.10, etc.

346.60 **DEVELOPMENTAL DISABILITIES SERVICES.** Payments made by or on behalf of recipients of developmental disability services. Include client fees, copayments, capitation payments and deductible payments and charges for services provided under a contract with a private entity. Do not include grants from any government agency. (See 330 series.) Local governments performing these services under contract with other governments should use account 338.

346.70 **OTHER PUBLIC HEALTH FEES.** Include vital statistics.

346.80 **CORONERS' FEES**

346.90 **MISCELLANEOUS SERVICES**

(347) **CULTURE AND RECREATION** (Summary Account)

347.10 **COOPERATIVE EXTENSION SERVICES.** Fees for training programs, including tuition for home economics and agricultural education, 4-H club fees, etc. Use account 341.50 for sales of maps and publications.

347.20 **LIBRARY USE FEES.** Include non-resident borrowers' fees and film rentals. Use account 341.60 for photocopies, 359.70 for fines, and 362 for rentals of equipment and facilities.

347.30 **ACTIVITY FEES.** Fees to use a recreational facility (e.g., golf green fees, swimming pool fees, ball court use fees, etc.). If the use fee is included as part of a charge for an organized recreational program, use 347.60. Use 362 for camping fees, rentals of equipment, and rentals of facilities. Sales tax collected on these items should be posted to account 386 or G.L. account 237.

347.40 **EVENT ADMISSIONS.** Charges to attend a fair, performance, sporting event, convention, etc. Use 362 for parking fees.

347.50 **EXHIBIT ADMISSIONS.** Charges to enter a museum, zoo, aquarium, botanical garden, or other permanent display.

347.60 **PROGRAM FEES.** Charges for organized recreational programs, including tuition for recreational education. (E.g., Little League, skiing and swimming lessons, summer camps, excursions, arts and crafts, etc.) Sales tax collected on these items should be posted to account 386 or G.L. account 237.

347.90 **OTHER FEES.** (E.g., conference participant fees, vendor display charges, first aid programs, periodical subscriptions and related royalties, etc.)

(348) **INTERNAL SERVICE FUND SALES AND SERVICES** (Summary Account) (Quasi-External Transactions)

Include sales and charges for services by an internal service fund to another fund of the same government. Use 349 for payments between departments of the same fund. Use 341-347 for sales and charges to other governments and private parties. Use accounts 365 and 366 for interfund trust contributions, insurance payments and rents. What is recorded as a 348 revenue by the internal service fund should result in an object 90 expenditure by the paying fund. See accounts 362.10 and 362.20 for Equipment and Vehicle Rentals Revenue.

348.10 **COMMUNICATION SERVICES**

348.20 **SALES OF ROAD MATERIALS.** Include revenues of pits, quarries, and asphalt plants.

348.30 **VEHICLE/EQUIPMENT REPAIR CHARGES**

348.40 **SALES OF PARTS.** Use this account for items issued to repair or maintain vehicles and heavy equipment.

348.50 **FUEL SALES**

348.60 **WORD PROCESSING, PRINTING AND DUPLICATING SERVICES**

348.70 **OTHER SALES.** Include sales from central stores and fabrication shop charges for materials, labor, and overhead. Use 341.70 for sales of signs to other governments.

348.80 **DATA PROCESSING SERVICES**

(348.90) **OTHER INTERNAL SERVICES** (Summary Account)

348.91 **RISK MANAGEMENT SERVICES**
348.92 **PROPERTY MANAGEMENT SERVICES**
348.94 **PURCHASING SERVICES.** There is no need to separate these fees if included in the price of merchandise.
348.95 **ARCHITECT/ENGINEERING SERVICES**
348.96 **PERSONNEL SERVICES**
348.97 **EMPLOYEE BENEFIT PROGRAM SERVICES.** Use 366.50 for interfund employer-paid premiums; 369.71 through 369.73 for employee-paid premiums and premiums from other employers.

(349) **INTERFUND/INTERDEPARTMENTAL-SALES AND SERVICES** (Summary Account) (Quasi-External Transactions)

Include sales and charges for services by one fund or department to another fund or department of the same government, except:

(1) Sales and charges by internal service funds (use 348).
(2) Utility charges and service fees (use 343).
(3) Shared costs, operating and capital subsidies (see the Glossary for definitions of transfers).
(4) Reimbursements (see the Glossary for definition; credit expenditure account).

This account is also used to record interdepartmental transactions within an internal service fund. Separate accounts are established for interfund taxes (314) and interfund licenses and permits (329). Use accounts 365 and 366 for interfund trust contributions, insurance payments, and rents.

INTERFUND PAYMENTS FOR ELECTRICITY, GAS, WATER, SEWER AND GARBAGE SERVICE ARE NOT CREDITED TO 349 BUT TO 343.30, 343.40, ETC.

The specific accounts prescribed below are comprised of the account 349 plus the expenditure Basub of the service that is being paid for. While the list is intended to be comprehensive, it does not include every expenditure Basub and you may need to use an account not listed below. What is recorded as a 349-type revenue by the performing fund or department should result in an object-90 expenditure by the paying fund or department.

349.11 **LEGISLATIVE SERVICES.** (For details regarding election services, see Part 3, Chapter 12, Interpretation 8.)
349.12 **COURT FEES AND CHARGES**
349.14 **FINANCIAL SERVICES**
349.15 **LEGAL SERVICES**
349.16 **PERSONNEL SERVICES**
349.17 **EMPLOYEE BENEFIT PROGRAM SERVICES**
349.18 **CENTRAL SERVICES.** Include property management, janitorial services, word processing, printing, duplicating, and photocopy services, data processing, and building security.
349.19 **OTHER GENERAL GOVERNMENT SERVICES.** Include fabrication shop charges, central stores sales.

349.21 **LAW ENFORCEMENT SERVICES**
349.22 **FIRE PROTECTION SERVICES**
349.23 **DETENTION/CORRECTION SERVICES**
349.24 **INSPECTION SERVICES**
349.25 **EMERGENCY SERVICES**
349.27 **JUVENILE SERVICES**
349.28 **COMMUNICATION SERVICES**

349.31 **NATURAL RESOURCE SERVICES.** Include interfund payments for flood control, pollution control, and weed control.
349.32 **FACILITY ENGINEERING SERVICES**
349.39 **OTHER ENVIRONMENTAL SERVICES.** Include interfund payments for animal control, nuisance and pest control.

349.42 **ROAD MAINTENANCE SERVICES**
349.48 **MUNICIPAL VEHICLES AND PUBLIC WORKS EQUIPMENT.** Include interfund payments for road materials, vehicle repairs, parts, and fuel.

349.53 **VETERANS SERVICES**
349.55 **AGING SERVICES**
349.56 **SERVICES FOR DISABLED**
349.57 **COMMUNITY SERVICES**
349.58 **PLANNING SERVICES**
349.59 **HOUSING SERVICES**

349.62 **PUBLIC HEALTH CLINIC SERVICES**
349.63 **CORONER SERVICES**
349.64 **MENTAL HEALTH SERVICES**
349.66 **SUBSTANCE ABUSE SERVICES.** Shared costs and operating subsidies are coded 338 and 397, respectively.
349.68 **DEVELOPMENTAL DISABILITIES SERVICES**
349.69 **OTHER HEALTH SERVICES**

349.71 **EDUCATIONAL SERVICES.** Use 349.78 for interfund tuition charges.
349.72 **LIBRARY SERVICES**
349.76 **RECREATION PROGRAMS**
349.78 **TUITION CHARGES**

349.95 **ROAD CONSTRUCTION AND ENGINEERING SERVICES**

(350) **FINES AND FORFEITS** (Summary Account)

The terms *fine*, *forfeiture*, *penalty*, and *assessment* are often used interchangeably. For proper meaning of those terms refer to the Glossary.

In municipal courts, parking fines (354) are 100% local revenue as are investigative fund assessments (356.50). All other fines, forfeitures and penalties assessed are subject to a 60% surcharge; the city's share is 68% of the total fine and surcharge; the remaining 32% is remitted to the state (RCW 3.62.090(1)). Note that 1.75% of the local portion must be remitted to the county for crime victim and witness programs. This 1.75% applies not only to penalties but also to all court fees that are shared with the state. This portion should be recorded by cities in account 237 or 386 when received and 586 when transferred to the county. Only counties should use 341.98 when they receive the money and 515.70 when they make payments to victims and witnesses. (RCW 3.46.120, 3.50.100, 3.62.090 and 7.68.035(8)) An additional 50% of the PSEA surcharge (i.e., 60%) is added to all fines forfeitures and penalties, except for DUI and parking, which must be remitted in total to the state (RCW 3.62.090(2)).

In district courts, parking fines (354) are 100% local revenue as are investigative fund assessments (356.50). All other fines, forfeitures and penalties are subject to a 60% surcharge; the county's share is 68% of the total fine and surcharge; the remaining 32% is remitted to the state (RCW 3.62.090(1)). Note that 1.75% of the local portion must be used by the county for crime victim programs. This 1.75% applies not only to penalties but also to all court fees that are shared with the state. (RCW 3.62.020, .090 and 7.68.035(4)) An additional 50% of the PSEA surcharge is added to all fines, forfeitures, and penalties, except for DUI and parking, which must be remitted in total to the state (RCW 3.62.090(2)).

In superior courts, all fines, forfeitures, and penalties other than investigative fund assessments (351.50) are also split with the state, but no surcharge is assessed. Otherwise, the county's share is 68% of the total fine; the remaining 32% is remitted to the state with the exception of account 351.30, of which 46% is remitted to the state. 1.75% of the local portion of penalties (but not fees) must be used by the county for crime victim and witness programs (341.98.02). (RCW 7.68.035(4) and 10.82.070)

The following revenue accounts should not include the state portion. Use account 386 for the state portion.

(351) **SUPERIOR COURT - FELONY/MISDEMEANOR PENALTIES** (Summary Account)

351.30 **CRIMINAL FILING FEES.** Although called fees in statute, these charges are classified as penalties because they are collected in criminal cases upon conviction, plea of guilty, or upon failure to prosecute an appeal from a court of limited jurisdiction. (RCW 36.18.020(17)) The Judicial Accounting Sub-System (JASS) uses 351.31 for this account.

351.50 **INVESTIGATIVE FUND ASSESSMENTS.** Amounts that the court orders a defendant to contribute to a local fund for investigations. The assessment is not shared with the state. Moneys confiscated and other property forfeited in drug-related arrests are accounted for at 369.30 (RCW 9.95.210). A defendant's repayment of moneys used to obtain a basis for arrest should be coded to the appropriate expenditure account as a reimbursement.

Use 351.50.08 for the fine for manufacturing methamphetamine and designated for cleanup of laboratories (RCW 69.50.440).

351.80 **CRIME VICTIM PENALTY ASSESSMENTS.** An additional assessment levied only in superior court.

351.90 **OTHER SUPERIOR COURT PENALTIES.** Includes fines for misdemeanors (also when combined with felonies or reduced from felonies). Juvenile diversion fines, probation, and other service charges are accounted for at 342.70, except for truancy fines (RCW 28A.225.110) which should be recorded in this account. The Judicial Accounting Sub-System (JASS) uses 351.91 for this account.

(352) **CIVIL PENALTIES** (Summary Account)

352.20 **CRUELTY TO ANIMALS PENALTIES.** These penalties are retained 100% locally (RCW 16.52.200).

352.30 **PROOF OF MOTOR VEHICLE INSURANCE.** Include only administrative costs. Includes 1.75% crime victims split. Penalty for failure to have insurance is recorded in account 353.10 (RCW 46.30.020).

352.90 **OTHER CIVIL PENALTIES.** (E.g., violations of court orders, etc.). Bail bond forfeitures should be accounted for in the appropriate category of offense (felony, misdemeanor, etc.). These penalties are shared with the state (RCW 10.82.070). The Judicial Accounting Sub-System (JASS) uses 352.90.01 for district/municipal courts and 352.90.02 for superior courts.

(353) **CIVIL INFRACTION PENALTIES** (Summary Account)

These penalties are shared with the state. Use account 386 for the state portion of those penalties.

353.10 **TRAFFIC INFRACTION PENALTIES.** Infraction rules for courts of limited jurisdiction (RCW 46.63.110). Include penalties for speed infractions in a roadway construction zone (RCW 46.61.527), violations of speed restrictions within a school or playground zone (RCW 46.61.440) and passing school buses (RCW 46.61.370).

353.70 **NON-TRAFFIC INFRACTION PENALTIES.** Include penalties for fish and game, wildlife, agriculture, building code violations, standing-stopping pedestrian violations, and litter and junk vehicle violations. (RCW 70.93.060, 70.95.240, 46.55.230).

354.00 **CIVIL PARKING INFRACTION PENALTIES**

Include penalties for parking in places reserved for persons with disabilities (RCW 46.16.381).

(355) **CRIMINAL TRAFFIC MISDEMEANOR FINES** (Summary Account)

Include only fines from courts of limited jurisdiction (district/municipal).

355.20 **DRIVING UNDER INFLUENCE (DUI) FINES.** Also include the local portion of an additional fee imposed by RCW 46.61.5054. Presentence and probation assessments are accounted for at 342.33.

355.80 **OTHER CRIMINAL TRAFFIC MISDEMEANOR FINES.** Include penalties for reckless endangerment of highway workers. (RCW 46.61.527) Note that presentence evaluation fees and probation assessments are accounted for at 342.33.

(356) **CRIMINAL NON-TRAFFIC FINES** (Summary Account)

356.40 **BOATING SAFETY FINES.** Fines for the violation of watercrafts' registration rules. (RCW 88.02.110) These penalties are not shared with the state.

356.50 **INVESTIGATIVE FUND ASSESSMENTS.** Amounts that the court orders a defendant to contribute to a local fund for investigations. This assessment is not shared with the state and is not subject to the 60% surcharge. Moneys confiscated and other property forfeited in drug-related arrests are accounted for at 369.30. A defendant's repayment of moneys used to obtain a basis for arrest should be coded as a reimbursement. (RCW 9.95.210)

356.80 **DISTRICT COURT FELONY FINES.** Include only felony fines collected by courts of limited jurisdiction.

356.90 **OTHER CRIMINAL NON-TRAFFIC FINES.** Include fines for theft, assault, prostitution, public hazards, nuisances, and litter and junk vehicle violations (RCW 70.93.060, 70.95.240, 46.55.230). The presentence valuation fees and probation assessments are accounted for at 342.33.

(357) **CRIMINAL COSTS** (Summary Account)

Costs incurred in judicial proceedings that are recovered from the defendant. In order to qualify as *costs*, the amount collected must be directly related to payments that the local government has made to third parties, such as jury, witnesses, or attorneys. These costs recovered are retained in total by the local jurisdiction and not shared with the state. Assessments of general *costs*, not directly related to specific payments to the local jurisdiction has made are recorded as penalties in the appropriate category (felony, misdemeanor, etc.). Assessments of general *costs* at a flat dollar amount that are not related to an expenditure of the local government are to be accounted for as fines in the appropriate category (felonies at 351, infractions at 353, and misdemeanors at 355). Costs recovered for juvenile detention, diversion, and probation are accounted for at 342.70 and adult presentence evaluation fees and probation assessments are accounted for at 342.33. Recovery of damages to your own government facilities should be coded 395.20. Restitution for damages to other property is a trust transaction; if BARS coding is used, receipts should be posted to account 386 or G.L. account 237.

357.20 **SUPERIOR COURT COST RECOUPMENTS.** Costs collected from a defendant upon conviction, etc. Only those costs recovered on a dollar-for-dollar basis for amounts paid out by the county should be included in this account.

357.21 **JURY DEMAND COST.** A jury demand fee may be assessed against a convicted defendant, but not the mileage or per diem paid to jurors. (RCW 10.01.160(2) and 10.46.190)

357.22 **WITNESS COST.** The cost associated with attendance of witnesses for the prosecution may be assessed against a convicted defendant. If the defendant is indigent and the local government has paid for witnesses for the defense, this expenditure may also be charged against the defendant as a cost. If the state has reimbursed the county for witness fees that are later recouped from a defendant, the county should pay the state back in the same amount collected from the defendant. (RCW 10.01.160 and AGO 1976 #14)

357.23 **PUBLIC DEFENSE COST.** The cost of providing public defense to indigent defendants may be recouped from a convicted defendant. (RCW 10.01.160 and AGO 1976 #14)

357.24 **LAW ENFORCEMENT SERVICE COST.** Include sheriff's fees for seizures, auction sales, and serving papers and warrants, including the related mileage and making a return, when recovered by court judgment; for other law enforcement fees, use account 342.10. (RCW 10.01.160(2) and 36.18.040)

357.25 **COURT INTERPRETER COST.** The cost of employing a foreign language interpreter or interpreter for hearing impaired. (RCW 2.43.040(3))

357.26 **COST RECOUPED - MANDATES.** Attorney's fees and expenses awarded by the court of appeals and collected by the trial courts.

357.29 **COLLECTION AGENCY COST.** The cost of services provided by a collection agency in the collection of outstanding legal financial obligations (LFO) may be recouped from a convicted defendant. The cost of bank services relating to the provisions of credit cards may also be recouped from a convicted defendant. (RCW 36.18.190)

357.30 **DISTRICT/MUNICIPAL COURT COST RECOUPMENTS.** Costs collected from a defendant upon conviction, etc. Only those costs recovered on a dollar-for-dollar basis for amounts paid out by the county or city should be included in this account.

357.31 **JURY DEMAND COST.** A jury demand fee may be assessed against a convicted defendant, but not the mileage or per diem paid to jurors. (RCW 10.01.160(2) and 10.46.190)

357.32 **WITNESS COST.** The cost associated with attendance of witnesses for the prosecution may be assessed against a convicted defendant. If the defendant is indigent and the local government has paid for witnesses for the defense, this expenditure may also be charged against the defendant as a cost. (RCW 10.01.160 and AGO 1976 #14)

357.33 **PUBLIC DEFENSE COST.** The cost of providing public defense to indigent defendants may be recouped from a convicted defendant. (RCW 10.01.160 and AGO 1976 #14)

357.34 **LAW ENFORCEMENT SERVICES.** Include sheriff's fees for seizures, auction sales, and serving papers and warrants, including the related mileage and making a return, when recovered by court judgment; for other law enforcement fees, use account 342.10. (RCW 10.01.160 and 36.18.040)

357.35 **COURT INTERPRETER COST.** The cost of employing a foreign language interpreter or interpreter for the hearing impaired may be recouped from a convicted defendant. (RCW 2.43.040(3))

357.36 **COLLECTION AGENCY COST.** The cost of services provided by a collection agency in the collection of outstanding fines and penalties may be recouped from a convicted defendant. The cost of bank services relating to the provisions of credit cards may also be recouped from a convicted defendant. (RCW 3.02.045(5))

357.50 **CRIMINAL PROFITEERING.** Confiscated moneys, court ordered payments of actual cost incurred, proceeds from the sale of forfeited property from criminal profiteering acts. The moneys shall be used by the county prosecuting attorney for the investigation of any offense, within their jurisdiction, included in the definition of criminal profiteering, including civil enforcement.

Do not include moneys in excess of actual costs incurred in actions brought by the county prosecuting attorney on behalf of the county under RCW 9A.82.100(1)(b)(I). These moneys are to be deposited in the Public Safety and Education Account in the state general fund. (Use 237 or 386.) (RCW 9A.82.100 and .110.)

(359) **NON-COURT FINES, FORFEITURES, AND PENALTIES** (Summary Account)

Courts should not use this Basub, which is segregated for other penalties assessed by local governments. See also penalties on taxes (319), licenses and permits (321.80 and 322.80), and LID assessments (361.51).

359.10 **FORFEITURES OF BONDS AND DEPOSITS** (E.g., performance and bid bonds.)

359.70 **LIBRARY FINES** (E.g., late returns, etc.)

359.90 **MISCELLANEOUS FINES AND PENALTIES**

(360) **MISCELLANEOUS REVENUES** (Summary Account)

Derived from sources not otherwise provided for in accounts 310 to 359.

(361) **INTEREST AND OTHER EARNINGS** (Summary Account)

Interest earned on investments, contracts, notes, loans, accounts receivable, etc. Do not include interest on delinquent taxes (319) or interest on interfund loans (366.10).

(361.10) **INVESTMENT INTEREST** (Summary Account)

361.11 **INVESTMENT INTEREST.** Interest earnings collected on investments held/sold (net of investment service fees).
361.12 **ARBITRAGE INTEREST**
361.19 **INVESTMENT SERVICE FEES.** Charges deducted by treasurers from investment earnings.

(361.30) **GAINS (LOSSES) ON INVESTMENTS** (Summary Account)

361.31 **REALIZED GAINS (LOSSES) ON INVESTMENTS.** Gain (loss) on sale of investment. Do not include any interest earnings (see account 361.11).
361.32 **UNREALIZED GAINS (LOSSES) ON INVESTMENTS.** Gain (loss) on investment held due to changes in fair value of investment. Do not include any interest earnings (see account 361.11).

361.40 **INTEREST ON CONTRACTS, NOTES, TAXES, LOANS AND ACCOUNTS RECEIVABLE.** Interest received on contracts, notes, taxes and accounts held. (Do not include interest on delinquent taxes.) Use 361.40.01 for interest collected by municipal/district courts and 361.40.02 for superior courts. (RCW 3.46.120, 3.50.100, 3.62.020, 3.62.040, 10.82.090, 35.20.220)

(361.50) **INTEREST AND PENALTIES ON CAPITAL ASSESSMENTS** (Summary Account)

See account 368 for capital assessment principal. Use account 317.70 for operating assessment principal and 319.80 for related interest and penalties.

361.51 **PENALTIES**
361.55 **INTEREST**

361.60 **ALLOWANCE FOR INTEREST ON UTILITY RESOURCES USED FOR CONSTRUCTION**

361.70 **INTEREST EARNINGS APPLIED TO CONSTRUCTION (DEBIT)**

361.80 **AMORTIZATION OF INVESTMENT COST.** Periodic recognition of the difference between the face value and the cost (net of accrued interest) of an investment at the time of purchase. This account can be used for investment contacts that have a remaining maturity at the time of purchase, of one year or less.

361.90 **OTHER INTEREST EARNINGS.** Include purchased interest when investments are bought between interest coupon dates (debit).

(362) **RENTS, LEASES AND CONCESSIONS** (Summary Account)

(E.g., rentals, leases, percent of concession proceeds, commissions, royalties, etc.) Revenue from external sources only. Sales and leasehold taxes collected on these items should be posted to account 386 or G.L. account 237. See 365 and 366 for interfund rentals.

362.10 **EQUIPMENT AND VEHICLE RENTALS (SHORT-TERM).** Rentals at hourly, daily, or weekly rates. Include operator charges if you do not choose to separate them; otherwise use the 340 series for operator fees (e.g., 344.10 for snow plowing).

362.20 **EQUIPMENT AND VEHICLE LEASES (LONG-TERM).** Leases at monthly or annual rates.

362.30 **PARKING.** Rentals at hourly, daily or weekly rates. Use 362.50 for long-term leases of parking spaces.

362.40 **SPACE AND FACILITIES RENTALS (SHORT-TERM).** Rentals at hourly, daily, or weekly rates. Include camping and moorage fees but use 347.30 for other recreational use fees.

362.50 **SPACE AND FACILITIES LEASES (LONG-TERM).** Leases at monthly or annual rates. Include proceeds from lease of state forest land (RCW 76.12.030).

362.60 **HOUSING RENTALS/LEASES**

362.80 **CONCESSION PROCEEDS**

362.90 **OTHER CHARGES.** Include royalties for property use. Use 347.90 for publication royalties.

363.00 **INSURANCE PREMIUMS AND RECOVERIES**

Use this account for intergovernmental revenues and payments from private sources, including insurance claim receipts. Use 395.20 and 395.30 for recoveries on property insurance. Experience rating credits and other premium rebates should be treated as reimbursements.

(365) **INTERNAL SERVICE FUND MISCELLANEOUS REVENUES** (Summary Account)

All charges for rent, insurance, etc., by an internal service fund to another fund of the same government. Use this Basub for interfund payments only. Use 362 and 367 for revenues from other governments and private sources. Use 366.90 for payments between departments of the same fund. What is recorded as a 365 revenue by the internal service fund should result in an object 90 expenditure by the paying fund.

365.10 **INTERFUND EQUIPMENT AND VEHICLE RENTALS (SHORT-TERM).** See 362.10

365.20 **INTERFUND EQUIPMENT AND VEHICLE LEASES (LONG-TERM).** See 362.20

365.30 **INTERFUND PARKING.** See 362.30. Payroll deductions should be coded 362.50.

365.40 **INTERFUND SPACE AND FACILITIES RENTALS (SHORT-TERM).** See 362.40

365.50 **INTERFUND SPACE AND FACILITIES LEASES (LONG-TERM).** See 362.50

365.80 **INTERFUND INSURANCE PREMIUMS.** Use this account for interfund payments for property and liability insurance. Use 366.50 for employee benefit programs. See 363 for intergovernmental and private payments.

365.90 **OTHER.** Use 366.10 for interfund interest.

(366) **INTERFUND/INTERDEPARTMENTAL-MISCELLANEOUS REVENUES** (Summary Account) (Quasi-External Transaction)

Include interfund trust contributions and miscellaneous payments by one department or fund to another department or fund of the same government, except:

(1) Rents, insurance premiums, and miscellaneous charges by internal service funds (use 365).
(2) Shared costs, operating and capital subsidies (see the Glossary for definitions of transfers).
(3) Reimbursements (see the Glossary for definition; credit expenditure account).

This account is also used to record interdepartmental transactions within an internal service fund. Note that separate accounts are established for interfund taxes (314), interfund licenses and permits (329), and interfund charges for services (348 and 349). What is recorded as a 366 revenue by the performing fund or department should result in an object 90 expenditure by the paying fund or department, except for 366.10 which should use subobject 82.

366.10 **INTERFUND INTEREST.** (E.g., interest on interfund loans, assessments, etc.)

366.20 **INTERFUND RENTS AND CONCESSIONS.** See 365 for internal service fund rental revenues.

366.50 **INTERFUND TRUST CONTRIBUTIONS-EMPLOYER.** Note that amounts withheld from employee paychecks are accounted for at 369.71 and 369.72. See 348.97 for service fees.

366.90 **OTHER.** Include special assessment principal due to a governmental fund.

(367) **CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES** (Summary Account)

For capital contributions in proprietary funds use account 379.00.

367.11 **GIFTS, PLEDGES, GRANTS AND BEQUESTS FROM PRIVATE SOURCES.** Use 379.10 for utility hook-up and connection charges.

367.12 **PLANNING AND DEVELOPMENT CONTRIBUTIONS** (RCW 82.02.020). Include only contributions from private sources.

367.19 **OTHER**

368.00 SPECIAL ASSESSMENT PRINCIPAL (CURRENT)

Use this account to accrue assessment principal as it becomes due in governmental funds. Unpaid assessments that are not due within 60 days of the end of your fiscal year are credited to deferred revenues. Use 361.50 for penalties and interest on assessments. Use 317.70 for operating assessments. In proprietary funds use 379. Code interfund accrual of special assessment principal to 366 if it is due to a governmental fund. Treat as contribution of capital if due to a proprietary fund.

368.80 **DEFERRED ASSESSMENTS.** Distributed by the state treasurer based on the amount of special assessments certified as deferred by the county assessor. See 311.60 for deferred property taxes. (RCW 84.38.120)

(369) **OTHER MISCELLANEOUS REVENUES** (Summary Account)

From other sources not otherwise included in accounts 361 thru 368.

369.10 **SALE OF SCRAP AND JUNK**

369.20 **UNCLAIMED MONEY AND PROCEEDS FROM SALES OF UNCLAIMED PROPERTY.** Includes sale of intangible property, unclaimed for more than two years (RCW 63.29.130), sale of unclaimed animals, (Chapter 63.32 or 63.40 RCW) and excess proceeds from the sale of tax title property (RCW 36.35.110).

369.30 **CONFISCATED AND FORFEITED PROPERTY.** Include proceeds from sale of confiscated and forfeited property. Use 386 to record the state portion of the proceeds. (RCW 9.41.098, 46.61.5058, 69.50.505)

369.40 **JUDGMENTS AND SETTLEMENTS.** Revenue from claims determined by legal judgment or mutual consent. Include liquidated damages. See 363 and 395 for claims related to insurable losses.

(369.70) **TRUST CONTRIBUTIONS** (Summary Account)

369.71 **VOLUNTARY CONTRIBUTIONS FROM EMPLOYEES**
369.72 **MANDATORY CONTRIBUTIONS FROM EMPLOYEES**
369.73 **CONTRIBUTIONS FROM EMPLOYER**

(369.80) **CASH ADJUSTMENTS** (Summary Account)

369.81 **CASHIER'S OVERAGES OR SHORTAGES**
Overages (Credit), Shortages (Debit)
369.82 **FOREIGN CURRENCY EXCHANGE ADJUSTMENTS**
Premium (Credit), Discount (Debit)

369.90 **OTHER.** Include recovery of NSF fees. Use 341.70 for concession sales to institution inmates, vending machine proceeds, etc.

(370) PROPRIETARY/TRUST GAINS (LOSSES) AND OTHER INCOME (EXPENSES)
(Summary Account)

These accounts are provided for the segregation of special transactions that affect the income of enterprise, internal service, and fiduciary funds. Although governmental funds can have similar transactions, these accounts are NOT to be used[1]; instead, losses and costs should be classified by the function or department that has incurred the expenditure; miscellaneous revenues should be coded in the 360 series.

371.00 EQUITY IN INCOME (LOSSES) OF JOINT VENTURES AND SUBSIDIARIES

372.00 EXTRAORDINARY/SPECIAL ITEMS

373.00 OTHER GAINS (LOSSES)

Note that separate accounts are provided for the more common transactions that result in gains and losses; namely, investments (361) and capital asset dispositions (395).

374.00 CAPITAL CONTRIBUTIONS – FEDERAL/STATE/LOCAL

Use grant source coding in the element/subelement/object/subobject field. See coding instructions for direct federal grants. For coding capital contributions from private sources see account 379.00.

376.00 GAINS (LOSSES) FROM OPERATION AND DISPOSAL OF DISCONTINUED SEGMENTS

378.00 CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

379.00 CAPITAL CONTRIBUTIONS

Financial resources for capital purposes provided by private contributor. Include tap fees and hook-up fees. Also include special assessments. The operating part of those contributions should be accounted for as operating revenue. (e.g., 317.70 for assessments and 343 for utility hook-up fees, etc.)

[1] You may use these accounts in governmental funds only to generate information needed for the government-wide financial statements.

(380) **NONREVENUES** (Summary Account)

Receipts which do not meet revenue criteria. You may use the 380 series of accounts as subsidiary accounts to the appropriate general ledger accounts (identified below as G.L. account).

(381) **INTERFUND LOAN RECEIPTS** (Summary Account)

Include all interfund receipts covering loans to the local government. Do not include interfund receipts for services, materials or equipment properly included in other revenue account categories.

381.10 **LOANS RECEIVED** (G.L. accounts 227 and 255)

381.20 **LOAN REPAYMENT RECEIVED** (G.L. accounts 132 and 165)

(382) **PROCEEDS OF LONG-TERM DEBT -- PROPRIETARY FUNDS ONLY** (Summary Account)

Use account 391 for debt proceeds when the debt is issued by governmental funds. See Part 3, Chapter 1 for funds' classification.

382.10 **GENERAL OBLIGATION BOND PROCEEDS** (G.L. account 251)

382.20 **REVENUE BOND PROCEEDS** (G.L. account 252)

382.30 **SPECIAL ASSESSMENT BOND PROCEEDS** (G.L. account 253)

382.40 **REVENUE WARRANT PROCEEDS** (G.L. accounts 235.40 and 263.40)

382.50 **PROCEEDS OF CAPITAL LEASES AND INSTALLMENT PURCHASES.** See Part 3, Chapter 9, Section B for discussion of the accounting treatment of capital leases. (G.L. accounts 235.50 and 263.50)

382.60 **PROCEEDS OF ANTICIPATION NOTES/WARRANTS** (G.L. accounts 239.60 and 263.60)

382.70 **OTHER NOTE PROCEEDS** (G.L. accounts 235.70 and 263.60)

382.80 **INTERGOVERNMENTAL LOAN PROCEEDS** (G.L. accounts 229 and 263.80) For details see Part 3, Chapter 12, Interpretation 5.

382.90 **PROCEEDS OF OTHER DEBT.** Include registered warrants, bank loans, etc. (G.L. accounts 235.90 and 263.90)

384.00 PROCEEDS FROM SALES OF INVESTMENTS

Include proceeds derived from the sale of investments. Exclude any interest or other earnings properly classified as revenue.

385.00 COLLECTIONS OF ACCRUED REVENUES AND OTHER RECEIVABLES (G.L. accounts 121-126, 131-134, 233.30 and 245.30)

386.00 **AGENCY TYPE DEPOSITS** (G.L. account 237) Examples include the following receipts of trust and agency moneys:

Sales and leasehold excise taxes
Forest patrol, forest fire protection assessment
State share of gun permits
Surety and performance deposits
Passports and naturalization fees that are transferred to the federal government
Centennial document preservation and modernization agency deposit. For details see Part 3, Chapter 12, Interpretation 10.

Note: 386.12.00 is used by the DISCIS for remittances of crime victim and witness program amounts to the counties.

(386.80) **STATE REMITTANCES--COURTS** (Summary Account)

386.81 **STATE REMITTANCES--APPELLATE FILING FEE.** Use this account to remit to the state treasurer any appellate court filing fees collected by the superior court for the courts of appeals (RCW 2.32.070). Use 386.81.99 (STATE REMITTANCES--APPELLATE INDIGENT DEFENSE RECOUPMENT) to remit to the State Treasurer's Office any appellate indigent defense recoupments from convicted defendants (RAP 15.6).

386.82 **STATE REMITTANCES--VEHICLE LICENSING FRAUD ACCOUNT.** Use this account to remit to the state treasurer fines collected for evading the payment of any registration tax or license fee (RCW 46.19.010).

386.83 **STATE REMITTANCES--EMERGENCY AND TRAUMA SERVICES.** Use this account to remit fee assessed on traffic infraction and designated to the Emergency Medical Services and Trauma Care System Trust Account (RCW 46.63.110).

386.89 **STATE REMITTANCES--MISCELLANEOUS.** Use 386.89.01 for remittances to the Health Profession Account (RCW 18.130.190(7)).

(386.90) **STATE REMITTANCES--COURTS** (Summary Account)

386.91 **STATE REMITTANCES--SEGREGATED.** Use this account to remit to your local treasurer the state's portion of your court's fees, fines, penalties and interest collected. Use 341-358 for your government portion of these revenues (RCW 3.46.120, 3.50.100, 3.62.020, .040, 10.82.070, 35.20.220, 36.18.025). Also use this account for the remittance of the state portion of additional 60% PSE Assessment. Collections on behalf of trust accounts are trust transactions. If BARS coding is used for these, use 386 subaccounts or 237. (RCW 3.62.090(1)) Use 386.91.01 for remittance of all fines, forfeitures, etc., related to game and game fish (RCW 77.12.201 and .203).

386.92 **STATE REMITTANCES--SEGREGATED--50% STATE DEDICATED PSEA.** Use this account to remit to your local treasurer the 30% (50% of additional 60% PSE Assessment = 30%) PSE Assessment collected on all fines, penalties, and forfeitures except DUI and parking. (RCW 3.62.090(2))

386.93 **STATE REMITTANCES--SEGREGATED--HORTICULTURAL PEST AND DISEASE CONTROL PENALTIES.** Use this account to remit to your local treasurer the total penalty assessed for repeat violations. (RCW 15.09.100, 17.24.100)

386.94 **STATE REMITTANCES--SEGREGATED--CIVIL WILDLIFE RESTITUTION.** Use this account to remit to your local treasurer the total wildlife restitution penalty assessed upon condition of killing or possessing protected or endangered species. These revenues are remitted in total to the state PSEA account. (RCW 77.21.070)

386.95 **STATE REMITTANCES--SEGREGATED--UNCLAIMED RESTITUTION.** Use this account to remit to your local treasurer the restitution from the defendant if the victim entitled to the restitution can not be found or died. These revenues are remitted in total to the state PSEA account and then used to compensate victims of crimes through the crime victims compensation fund. (RCW 7.68.290)

386.96 **STATE REMITTANCES--CRIME LAB ANALYSIS.** Use this account to record the state portion of the administrative fee. The local portion is recorded in 341.33 or 341.37. Also include the state portion of an additional fee as assessed in RCW 46.61.5054. Local portion of that fee is recorded in 355.20.

386.97 **STATE REMITTANCES--JUDICIAL INFORMATION SYSTEM (JIS).** Use this account to record the $10 assessment on fines and penalties for the purpose of the JIS (RCW 2.68.040) and 25% of interest collected on penalties, fines, bail forfeitures, fees and costs (RCW 3.46.120, 3.50.100, 3.62.020, .040, 10.82.090, 35.20.220).

386.98 **STATE REMITTANCES--PROSTITUTION PREVENTION AND INTERVENTION.** Use this account to record monthly remittance of fees collected for violation of RCW 9.68A.100 or Chapter 9A.88 RCW. (RCW 9.68A.105 and 9A.88.120)

386.99 **STATE REMITTANCES--SCHOOL ZONE SAFETY.** Use this account to record monthly remittance of penalties assessed for violation of speed restrictions within a school or playground speed zone (RCW 46.61.440) and for passing school buses (RCW 46.61.370).

388.00 OTHER INCREASES IN FUND BALANCES/NET ASSETS

388.80 PRIOR YEAR(S) CORRECTIONS. This account should be used only for material errors in prior periods that would distort current operations. The corrections should be recorded as a direct adjustment to fund balance/net assets at the beginning of the fiscal year (G.L. 292.70). This account should never be used for refunds or canceled warrants both of which should be credited to the expenditure account. The correction of minor errors should be credited to 369.90.

389.00 OTHER NONREVENUES. Subdivide this account as necessary to identify nonrevenue receipts which are not includable in accounts 381 through 388. This account may also be used for receipt of refunds and canceled warrants pending their credit to expenditure accounts. (Credit account 385 if a receivable was established when the need for refund was identified.) Examples:

- Receipt of moneys into a clearing fund such as salary or claims. (G.L. account 211)
- Receipt of moneys into a suspense fund. (G.L. account 237, 239.90 or 245.90. Use G.L. account 239.10 or 245.10 for customer deposits)
- Receipt of unidentified moneys pending identification and ultimate distribution. (G.L. account 237 or 239.90)
- Receipt of moneys from the refunding trustee for the redemption of refunded bonds and the payment of interest. (G.L. account 217 or 219)
- Receipt of moneys for interest on bonds issued between interest coupon dates. Use 589 for disbursement of this money at the next coupon date. (G.L. account 231.10)
- Revenues received in advance. (G.L. accounts 233 and 257)
- Proceeds of short-term anticipation notes/warrants. (G.L. account 239.60)

(390) **OTHER FINANCING SOURCES** (Summary Account)

(391) **PROCEEDS OF LONG-TERM DEBT - GOVERNMENTAL FUNDS ONLY** (Summary Account)

Use this account only for debt issued by the governmental funds. See account 382 for proceeds of debt in proprietary funds.

391.10 **GENERAL OBLIGATION BOND PROCEEDS**

391.30 **SPECIAL ASSESSMENT BOND PROCEEDS**

391.50 **PROCEEDS OF CAPITAL LEASES AND INSTALLMENT PURCHASES.** See Part 3, Chapter 9, Section B for discussion of the accounting treatment of capital leases.

391.60 **PROCEEDS OF ANTICIPATION NOTES/WARRANTS**

391.70 **OTHER NOTE PROCEEDS**

391.80 **INTERGOVERNMENTAL LOAN PROCEEDS**

391.90 **PROCEEDS OF OTHER LONG-TERM DEBT**

393.00 **PROCEEDS OF REFUNDING LONG-TERM DEBT**

(395) **DISPOSITION OF CAPITAL ASSETS** (Summary Account)

395.10 **PROCEEDS FROM SALES OF CAPITAL ASSETS.** E.g., real estate (land and buildings), equipment, street vacations, timber sales (timber owned by the municipality). If the total credits to this account in governmental funds for the fiscal year are immaterial, you may journalize the year-end balance to account 369.90. For proprietary funds see also account 395.40.

395.20 **COMPENSATION FOR LOSS OF CAPITAL ASSETS--INSURANCE RECOVERIES.** (E.g., recovery of monies for damaged, destroyed, stolen, or lost governmental assets.)

395.30 **COMPENSATION FOR LOSS OF CAPITAL ASSETS--OTHER RECOVERIES**

395.40 **GAIN (LOSS) ON DISPOSITION OF CAPITAL ASSETS--PROPRIETARY FUNDS ONLY**

395.70 **COSTS OF DISPOSAL OF CAPITAL ASSETS (DEBIT)**

(395.80) **CONTRIBUTED PORTION OF RETIRED ASSETS** (Summary Account)

Use these accounts when an asset was donated.

395.85 **PROCEEDS DUE TO GRANTOR (DEBIT).** Use this account whenever the terms of a grant require that the government seeks instructions from the grantor for disposition of the grantor's share of the proceeds from sale or insurance. The offsetting entry is to account 229, *Due to Other Governments*. If approval is obtained to apply the proceeds to another capital asset of the government, debit 229, *Due to Other Governments* and credit 374, *Capital Contributions – Federal/State/Local* in proprietary funds 395, *Disposition of Capital Assets* (or 369.90, *Miscellaneous* if immaterial) in governmental funds.

395.90 **NET BOOK VALUE OF RETIRED ASSETS (DEBIT)**

397.00 **TRANSFERS-IN.** Include financial inflows from other funds without equivalent flows of assets in return or without a requirement for repayment. Although not required, many local governments have found it useful to use the element/subelement field in account 397 to code the expenditure Basub for which the money was received. By using the same element/subelement coding in account 597, balancing and reconciliation of transfers in and out is much easier.

397.91 **TRANSFERS FROM COMPONENT UNITS.** Amounts transferred from discretely presented component units to a primary government. Some transfers, previously recorded in 397, will need to be reclassified for the presentation of the reporting entity's financial statements. For details, see Part 3, Chapter 12, Interpretation 14.

397.92 **TRANSFERS FROM PRIMARY GOVERNMENT.** Amounts transferred to discretely presented component units from a primary government. Some transfers, previously recorded in 397, will need to be reclassified for the presentation in the reporting entity's financial statements. For details, see Part 3, Chapter 12, Interpretation 14.

500 EXPENDITURE/USE ACCOUNTS

Do **NOT** post transactions to summary accounts. Account headings and parenthesis indicate if a particular account is considered a summary account.

ALL accounts are prescribed unless the local government does not have that type of expenditures.

The 500 series of expenditure/use accounts categorize all expenditures/uses by function, activity and character.

NOTE. The inclusion of an account in this chart of accounts does not in itself provide the user with the authority to do something prohibited or not otherwise authorized by law. The chart of accounts is intended to provide all accounts that will be needed by any user of the system; some apply to very few units of local government.

BARS expenditure accounts are not organized on a departmental basis. They may be used wherever they are needed. Each expenditure/expense should be classified according to the function and activity it supports, regardless of the organizational unit that incurs it.

For governmental funds, the subsidiary expenditure accounts 510-579 represent current operating expenditures which are summarized in the general ledger control account 292.20. Expenditure accounts 591-593 represent debt service expenditures and accounts 594-595 represent capital outlay expenditures, which are also summarized in control account 292.20. The subsidiary account 597 represents other financing uses in governmental funds and is subsidiary to the general ledger control account 292.40. Nonexpenditure accounts 581-589 represent subsidiaries of general ledger accounts other than 292.

For proprietary and fiduciary funds, both the 510-579 series and accounts 592-593 represent expenses classified by function and activity. As with governmental funds, the subsidiary accounts 597-599 represent other financing uses and accounts 581-589 represent subsidiaries of general ledger accounts other than 292.

The word SUBSIDIARY indicates the relationship of the 500 accounts to the control accounts for governmental entities using double-entry accounting.

EXPENDITURE/USE SUBSIDIARY ACCOUNTS

BASIC ACCOUNTS

291.80	**ENDING FUND BALANCE**
292.80	
508.001/	
501	**CLASSIFIED PROPRIETARY SERVICES**
510	**GENERAL GOVERNMENT SERVICES**
520	**SECURITY OF PERSONS AND PROPERTY**
530	**UTILITIES AND ENVIRONMENT**
540	**TRANSPORTATION**
550	**ECONOMIC ENVIRONMENT**
560	**MENTAL AND PHYSICAL HEALTH**
570	**CULTURE AND RECREATION**
580	**NONEXPENDITURES**
591-593	**DEBT SERVICE**
594-595	**OTHER EXPENDITURES/EXPENSES**
597-599	**OTHER FINANCING USES**

1/ 508 is intended for use by Category 2 local governments. It can optionally be used by Category 1 local governments.

291.80 ENDING FUND BALANCE
292.80
508.00

501 CLASSIFIED PROPRIETARY SERVICES

(510) GENERAL GOVERNMENT SERVICES
- **(511) LEGISLATIVE**
- **(512) JUDICIAL**
- **(513) EXECUTIVE**
- **(514) FINANCIAL AND RECORDS SERVICES**
- **(515) LEGAL**
- **(516) PERSONNEL**
- **(517) EMPLOYEE BENEFIT PROGRAMS**
- **(518) CENTRAL SERVICES**
- **(519) OTHER GENERAL GOVERNMENT SERVICES**

(520) SECURITY OF PERSONS AND PROPERTY
- **(521) LAW ENFORCEMENT**
- **(522) FIRE CONTROL**
- **(523) DETENTION AND/OR CORRECTION**
- **(524) PROTECTIVE INSPECTIONS**
- **(525) EMERGENCY SERVICES**
- **(526) AMBULANCE, RESCUE AND EMERGENCY AID**
- **(527) JUVENILE SERVICES**
- **(528) COMMUNICATIONS, ALARMS AND DISPATCH**

(530) UTILITIES AND ENVIRONMENT
- **(531) NATURAL RESOURCES**
- **(532) FACILITY ENGINEERING**
- **(533) ELECTRIC AND GAS UTILITIES**
- **(534) WATER UTILITIES**
- **(535) SEWER UTILITIES**
- **(536) CEMETERY**
- **(537) GARBAGE AND SOLID WASTE UTILITIES**
- **(538) OTHER UTILITIES AND BUSINESS-TYPE ACTIVITES**
- **(539) OTHER ENVIRONMENTAL SERVICES**

(540) TRANSPORTATION
- **(541) ROAD AND STREET PRESERVATION**
- **(542) ROAD AND STREET MAINTENANCE**
- **(543) ROAD AND STREET GENERAL ADMINISTRATION AND OVERHEAD**
- **(544) ROAD AND STREET OPERATIONS**
- **(545) ROAD AND STREET EXTRAORDINARY OPERATIONS**
- **(546) AIRPORTS, PORTS AND TERMINAL FACILITIES**
- **(547) TRANSIT SYSTEMS AND RAILROADS**
- **(548) MUNICIPAL VEHICLES AND PUBLIC WORKS EQUIPMENT**

(550) ECONOMIC ENVIRONMENT
- **(551) WELFARE**
- **(552) EMPLOYMENT OPPORTUNITY AND DEVELOPMENT**
- **(553) VETERANS SERVICES**
- **554 CHILD CARE SERVICES**
- **(555) AGING**
- **(556) SERVICES FOR DISABLED**
- **(557) COMMUNITY SERVICES**
- **(558) PLANNING AND COMMUNITY DEVELOPMENT**
- **(559) HOUSING AND COMMUNITY DEVELOPMENT**

(560) MENTAL AND PHYSICAL HEALTH
- **(561) HOSPITALS AND CONVALESCENT CENTERS**
- **(562) PUBLIC HEALTH**
- **(563) CORONER**
- **(564) MENTAL HEALTH**
- **(566) SUBSTANCE ABUSE**
- **(568) DEVELOPMENTAL DISABILITIES**

(570) CULTURE AND RECREATION
- **(571) EDUCATION**
- **(572) LIBRARIES**
- **(573) SPECTATOR AND COMMUNITY EVENTS**
- **(574) PARTICIPANT RECREATION**
- **(575) CULTURAL AND RECREATIONAL FACILITIES**
- **(576) PARK FACILITIES**

(580) NONEXPENDITURES
- **(581) INTERFUND LOAN DISBURSEMENTS**
- **(582) REDEMPTION OF DEBT PRINCIPAL - PROPRIETARY FUNDS ONLY**
- **584 PURCHASE OF INVESTMENTS**
- **585 DISBURSEMENTS OF ACCRUED EXPENDITURES/EXPENSES**
- **586 AGENCY TYPE DISBURSEMENTS**
- **588 OTHER DECREASES IN FUND BALANCES/NET ASSETS**
- **589 OTHER NONEXPENDITURES**

591-593 DEBT SERVICE
- **(591) REDEMPTION OF LONG-TERM DEBT - GOVERNMENTAL FUNDS ONLY**
- **(592) INTEREST AND OTHER DEBT SERVICE COSTS**
- **(593) ADVANCE REFUNDING ESCROW**

594-595 OTHER EXPENDITURES/EXPENSES
- **(594) CAPITAL EXPENDITURES**
- **(595) ROADS/STREETS CONSTRUCTION AND OTHER INFRASTRUCTURE**

597-599 OTHER FINANCING USES
- **597 TRANSFERS-OUT**
- **(598) INTERGOVERNMENTAL AGREEMENTS**
- **(599) PAYMENTS TO REFUNDED DEBT ESCROW AGENT**

291.80 **ENDING FUND BALANCE**
292.80
(508) This account is to be used to indicate the estimated and actual amounts of fund balance at the end of the fiscal year. It represents the excess of assets over liabilities. This account may be used in budget preparation if the law requires or permits the accumulation of moneys for future use.

508.10 **RESERVED**
508.80 **UNRESERVED**

(501) **CLASSIFIED PROPRIETARY SERVICES** (Summary Account)

These accounts are to be used by municipalities that have elected to use a separate authorized chart of accounts for one or more of their proprietary funds, such as NARUC for water utilities. For such funds, these accounts are used to establish and demonstrate budgetary control over expenditures on the modified accrual basis. The specific Basub, element, and subelement shown below will be combined with appropriate objects and subobjects. Do not use these 501 accounts for unclassified operations. (Use 533-538 for utilities, etc.)

501.30 **UTILITIES**

501.32 **GAS**
501.33 **ELECTRIC**
501.34 **WATER**
501.35 **SEWER**
501.38 **OTHER UTILITIES**

501.40 **TRANSPORTATION FACILITIES AND SYSTEMS**

501.46 **AIRPORTS**
501.47 **TRANSIT SYSTEMS**
501.48 **RAILROADS**
501.49 **OTHER TRANSPORTATION ENTERPRISES**

501.50 **HEALTH AND MEDICAL ENTERPRISES**

501.51 **HOSPITALS**

(510) **GENERAL GOVERNMENT SERVICES** (Summary Account)

This is a major class of services provided by the legislative, judicial and administrative branches of the government for the benefit of the public or governmental body as a whole. This class does not include administrative services provided by a specific department in support of services properly includable in another major class.

(511) **LEGISLATIVE** (Summary Account)

Cost of providing representation of the citizenry in the governing body.

511.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

511.20 **ADVISORY SERVICES** (Committees and Special Bodies)

511.30 **OFFICIAL PUBLICATION SERVICES** (Resolutions, Ordinances and Proceedings)

511.40 **TRAINING**

511.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

511.60 **LEGISLATIVE SERVICES** (Commission or Council)

511.70 **ELECTION COSTS.** Salaries, benefits, supplies, services, and other charges directly related to elections (RCW 29.13.045 and .047). For details see Part 3, Chapter 12, Interpretation 8.

511.80 **VOTER REGISTRATION COSTS.** For details see Part 3, Chapter 12, Interpretation 8.

(512) **JUDICIAL** (Summary Account)

Cost of providing a court system for civil, criminal and juvenile cases. Include in each category where appropriate such court costs as public defender assigned counsel, indigent defense, jury fees and expert witness fees.

(512.20) **SUPERIOR COURT SYSTEM** (Summary Account)

512.21 **SUPERIOR COURT**
512.22 **FAMILY COURT FEES (Chapter 26.12 RCW)**

512.30 **COUNTY CLERK**

512.40 **DISTRICT COURT**

512.50 **MUNICIPAL COURT**

512.60 **TRAFFIC VIOLATIONS BUREAU**

512.70 **LAW LIBRARY**

(513) **EXECUTIVE** (Summary Account)

Cost of providing management and administration of the affairs of the government entity including coordination, guidance and support for the development of effective programs and the planning, evaluation, analysis, control, and general management of programs. See 557.20 for citizens' complaints (Ombudsman). (E.g., Chief Administrative Officer and his/her assistants.)

513.10 **ADMINISTRATION.** Include all services rendered by the executive officer.

513.20 **ADVISORY SERVICES.** Include general boards and commissions. Boards formed for a narrow purpose should be coded functionally, such as Board of Equalization to 514.24, Boundary Review Boards and Zoning Commissions to 558.60.

513.40 **TRAINING**

513.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-592 for capital lease payments.

(514) **FINANCIAL AND RECORDS SERVICES** (Summary Account)

Cost of providing financial, record keeping and other related services.

514.10 **ADMINISTRATION.** Activities of a general nature, not associated directly with a specific service function. Include such positions as county auditor and city finance director.

(514.20) **FINANCIAL SERVICES** (Summary Account)

514.22 **FIDUCIARY SERVICES** (Treasurers)
514.23 **BUDGETING, ACCOUNTING, AUDITING** (State Auditors), and **FINANCIAL CONSULTING SERVICES.** Include clerks and towns' clerk-treasurers.
514.24 **TAX ASSESSMENT AND EVALUATION SERVICES** (Assessor and Board of Equalization)

514.30 **RECORDS SERVICES.** (Clerks) Include recording of: deeds, commission meetings, council proceedings, ordinances, resolutions, certifying records.

514.40 **TRAINING**

514.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

514.60 **GRANT ADMINISTRATION**

(514.70) **RISK MANAGEMENT** (Summary Account)

Use this account for the costs of administering a liability insurance program, including any management costs of self-insurance. (Use the 517 series of accounts for employee-related insurance.) In an internal service fund, this account will also contain payments for claims (subelement 77) and for insurance premiums (subelement 76). See Part 1, Chapter 7 for further discussion of proprietary fund expenses. In a governmental fund, the costs of claims and premiums are charged to the appropriate functional Basub and subobject 46. For payments by operating departments to a self-insurance fund, use the appropriate functional Basub and subobject 96.

514.71 **ADMINISTRATION**
514.73 **DEPRECIATION/AMORTIZATION/DEPLETION**
514.75 **MAINTENANCE**
514.76 **RISK TRANSFER PAYMENTS**
514.77 **CLAIMS PROCESSING**
514.78 **PAYMENTS TO CLAIMANTS AND BENEFICIARIES.** Amounts paid for claims determined by legal judgment or mutual consent.
514.79 **OTHER OPERATING EXPENSES/EXPENDITURES**

514.80 **OTHER ADMINISTRATIVE SERVICES**

514.81 **LICENSING.** Issuance of licenses, permits, certificates, etc. (E.g., marriage, business, non-business, animal, motor vehicles, open space, etc.)

(515) **LEGAL** (Summary Account)

Cost of providing legal services for the benefit of the governmental entity.

515.10 **ADMINISTRATION.** Activities of a general nature, not associated directly with a specific service function.

(515.20) **LEGAL SERVICES** (Summary Account)

515.21 **CRIMINAL**
515.22 **CIVIL**
515.23 **TRAFFIC**

515.40 **TRAINING**

515.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

515.60 **CONSUMER AFFAIRS**

515.70 **CRIME VICTIM AND WITNESS PROGRAM.** Payments to the victims and witnesses under RCW 7.68.035. See 512 for other witness fees. This account should be used by counties only. Cities making payments to the counties should use 586.

515.80 **CHILD SUPPORT ENFORCEMENT**

(516) **PERSONNEL** (Summary Account)

Cost of providing general supervision of personnel and related services for the entire government including the classification of positions, recruiting, placement, service ratings, attendance, job specifications, and other civil service related activities. Cost of special civil service boards for policemen, firemen, and sheriff's deputies should be accounted for at 521.10, 522.10, or 523.10.

516.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

516.20 **PERSONNEL SERVICES**

516.40 **TRAINING**

516.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

(516.70) **EQUAL OPPORTUNITY/AFFIRMATIVE ACTION** (Summary Account)

516.71 **ADMINISTRATION.** Includes commission services, program development, legal services, and administration.
516.72 **AFFIRMATIVE ACTION**
516.73 **CONTRACT COMPLIANCE**
516.75 **EQUAL OPPORTUNITY ENFORCEMENT**

(517) **EMPLOYEE BENEFIT PROGRAMS** (Summary Account)

See Part 1, Chapter 7 for further discussion of operating expenses in proprietary funds.

517.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

(517.20) **PENSION SERVICES** (Summary Account)

517.21 **ADMINISTRATION**
517.22 **DISABILITY PAYMENTS.** Special disability programs for policemen, firemen and sheriff's deputies should be accounted for at 521.10, 522.10 or 523.10.
517.28 **ANNUITY BENEFIT PAYMENTS**
517.29 **REFUNDS TO TERMINATED EMPLOYEES**

(517.30) **HEALTH INSURANCE SERVICES** (Summary Account)

517.31 **ADMINISTRATION**
517.36 **RISK TRANSFER PAYMENTS**
517.37 **CLAIMS PROCESSING**
517.38 **PAYMENTS TO CLAIMANTS AND BENEFICIARIES**

517.40 **TRAINING**

517.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

(517.60) **WORKERS' COMPENSATION SERVICES** (Summary Account)

Costs of special disability programs for policemen, firemen and sheriff's deputies should be accounted for at 521.10, 522.10, or 523.10.

517.61 **ADMINISTRATION**
517.62 **SAFETY PROGRAM/TRAINING**
517.66 **RISK TRANSFER PAYMENTS**
517.67 **CLAIMS PROCESSING**
517.68 **PAYMENTS TO CLAIMANTS AND BENEFICIARIES**

(517.70) **UNEMPLOYMENT COMPENSATION SERVICES** (Summary Account)

517.71 **ADMINISTRATION**
517.76 **RISK TRANSFER PAYMENTS**
517.78 **PAYMENTS TO CLAIMANTS AND BENEFICIARIES**

517.80 **DEFERRED COMPENSATION SERVICES**

517.90 **OTHER EMPLOYEE BENEFIT PROGRAMS**

(518) **CENTRAL SERVICES** (Summary Account)

See Part 1, Chapter 7 for further discussion of operating expenses in proprietary funds.

518.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

518.20 **PROPERTY MANAGEMENT SERVICES.** Costs of managing the government's own investment in property and facilities. Include the costs of managing trust properties, surplus properties, and property held for future use. Include the costs incurred in planning for facilities of the government, except for utilities and other public works, which include these costs within their respective Basub. Use 594-595 for capital outlays.

518.30 **CUSTODIAL/JANITORIAL/SECURITY SERVICES.** Costs of cleaning, maintaining, and protecting the facilities of the government.

518.40 **PURCHASING SERVICES**

(518.60) **WORD PROCESSING SERVICES** (Summary Account)

518.63 **DEPRECIATION**
518.65 **MAINTENANCE**
518.66 **OPERATIONS-CONTRACTED**
518.67 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
518.68 **OPERATIONS-GENERAL**
518.69 **OTHER OPERATING EXPENSES/EXPENDITURES**

(518.70) **PRINTING AND DUPLICATION SERVICES** (Summary Account)

Include copy centers, print shops and binderies.

518.73 **DEPRECIATION**
518.75 **MAINTENANCE**
518.76 **OPERATIONS-CONTRACTED**
518.77 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
518.78 **OPERATIONS-GENERAL.** Suggest using this element for cost of goods manufactured. Code cost of paper to subobject 34.
518.79 **OTHER OPERATING EXPENSES/EXPENDITURES**. May use for cost of goods sold.

(518.80) **DATA PROCESSING** (Summary Account)

518.81 **ADMINISTRATION**
518.83 **DEPRECIATION**
518.85 **MAINTENANCE**
518.86 **OPERATIONS-CONTRACTED.** Include costs of software development.
518.87 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
518.88 **OPERATIONS-GENERAL**
518.89 **OTHER OPERATING EXPENSES/EXPENDITURES**

518.90 **OTHER SERVICES.** See 519 for fabrication shops and central stores; see 528 for central communications; see 548 for transportation and public works-related services.

(519) **OTHER GENERAL GOVERNMENT SERVICES** (Summary Account)

See Part 1, Chapter 7 for further discussion of operating expenses in proprietary funds.

(519.10) **FOOD SERVICES** (Summary Account)

519.11 **ADMINISTRATION**
519.13 **DEPRECIATION/AMORTIZATION**
519.15 **MAINTENANCE**
519.16 **OPERATIONS-CONTRACTED**
519.18 **OPERATIONS-GENERAL.** Code cost of food to subobject 34.
519.19 **OTHER OPERATING EXPENSES/EXPENDITURES**

(519.30) **FABRICATION SHOPS** (Summary Account)

519.31 **ADMINISTRATION**
519.33 **DEPRECIATION/AMORTIZATION/DEPLETION**
519.35 **MAINTENANCE**
519.36 **OPERATIONS-CONTRACTED**
519.37 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
519.38 **OPERATIONS-GENERAL.** May use this subelement for cost of goods manufactured. Code cost of materials to subobject 34.
519.39 **OTHER OPERATING EXPENSES/EXPENDITURES.** May use this element for cost of goods sold.

519.40 **OTHER MANUFACTURING.** See 518.70 for printing and 548 for pits, quarries, and asphalt plants.

(519.50) **CENTRAL STORES** (Summary Account)

See 548 for road materials, vehicle parts, and fuel depots.

519.51 **ADMINISTRATION**
519.53 **DEPRECIATION/AMORTIZATION/DEPLETION**
519.55 **MAINTENANCE**
519.56 **OPERATIONS-CONTRACTED**
519.57 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
519.58 **OPERATIONS-GENERAL.** Code cost of merchandise purchased to subobject 34.
519.59 **OTHER OPERATING EXPENSES/EXPENDITURES.** May use this subelement for cost of goods sold.

519.60 **OTHER MERCHANDISING SERVICES**

519.70 **OTHER JOBBING AND CONTRACT WORK**

519.90 **MISCELLANEOUS.** Include general governmental expenditures not provided for elsewhere. (E.g., dues to organizations, Association of Washington Cities, Washington State Association of Counties, Washington Association of County Officials, etc.)

Use the other specified Basub accounts in coding dues and costs relevant to professional organizations such as:

513	City Manager's Association
514	Government Finance Officers' Association
514	Washington Finance Officers' Association
521	Sheriffs' and Police Chiefs' Association
522	Firemen's Association, or similar association dues legally authorized
532 or 543	American Public Works Association

(520) SECURITY OF PERSONS AND PROPERTY (Summary Account)

(521) LAW ENFORCEMENT (Summary Account)

Those activities normally related to police services and the support of police services.

521.10 ADMINISTRATION. Activities of a general nature, not associated directly with a specific service function. Include cost of civil service and disabilities programs. Also include the fee paid to the state treasurer for short firearms neither auctioned nor traded (RCW 9.41.098).

521.20 POLICE OPERATIONS. Police investigations and patrol of land, sea, and air (traffic is included under 521.70).

521.21 INVESTIGATION. Activities related to criminal activity, detection and arrest of criminal offenders, obtaining evidence for prosecution of criminal cases, filing of cases, return of fugitive felons from other jurisdictions, testimony in court cases, recovery of lost and stolen property, missing persons, etc. For details see Part 3, Chapter 12, Interpretation 7.

521.22 PATROL. Activities related to uniformed police assigned to districts and such related activities as arrest, security checking of premises, and general safety and security of the assigned district.

521.23 SPECIAL UNITS

521.24 LABORATORY

521.25 ENFORCEMENT OF GAMBLING ACT (RCW 9.46.113)

521.30 CRIME PREVENTION. Those activities related to the prevention of crime including but not limited to education, safety, community relations and public relations. Include traffic safety school, DARE, GREAT, etc.

521.40 TRAINING

521.50 FACILITIES. Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

521.70 TRAFFIC POLICING. Enforcement of traffic laws, radar unit operation, investigation of traffic accidents, checking parking meter violations, issuing tickets for such violations, traffic patrolling streets and issuing tickets for moving violations.

521.90 OTHER SERVICES. Any service not otherwise defined in account 521. See 528 for communications.

521.91 PROPERTY ROOM

521.92 PROTECTION SERVICES. Include services related to protection of victims of domestic violence (shelters, etc.).

(522) **FIRE CONTROL** (Summary Account)

General fire fighting and prevention services.

522.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function. Include costs of civil service and disability programs.

522.20 **FIRE SUPPRESSION.** Functions and/or activities dedicated to putting fires out. It includes but is not limited to pre-fire planning, fire fighting, and company inspections.

522.30 **FIRE PREVENTION AND INVESTIGATION.** Functions and/or activities designed to prevent the occurrence of fires. Investigation is of a preventative nature even if after-the-fact, in that it gathers data used to prevent further occurrences. It includes but is not limited to public education, code enforcement, and investigation.

522.40 **TRAINING**

522.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

522.60 **OTHER SERVICES.** Any service not otherwise defined in account 522. See 528 for communications.

(523) **DETENTION AND/OR CORRECTION** (Summary Account)

Include confinement of prisoners (sentenced or otherwise), probation, parole and rehabilitation. This Basub account has been established recognizing that correction and detention are not the same but that the costs are not easily separated into two accounts.

523.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function (e.g., fiscal, supervisory personnel, etc.). Include cost of civil service and disability programs.

523.20 **MONITORING OF PRISONERS.** (E.g., electronic monitoring, work release or day reporting programs, etc.)

523.30 **PROBATION AND PAROLE SERVICES**

523.32 **MISDEMEANANT SUPERVISION.** Include cost of supervision of superior court misdemeanant offenders placed on probation under RCW 9.92.060 or 9.95.210. (RCW 36.01.070)

523.40 **TRAINING**

523.50 **FACILITIES.** Rent, repair, operation and maintenance of jail buildings, equipment, and land. Use 594-95 for capital outlays and 591-92 for capital lease payments.

523.60 **CARE AND CUSTODY OF PRISONERS.** (E.g., guards, medical, social services for prisoners, concession costs of items purchased for resale to inmates - see 341.70 for sales revenues.)

523.90 **OTHER.** (E.g., jail-kitchen, etc.)

(524) **PROTECTIVE INSPECTIONS** (Summary Account)

Inspections and enforcement of regulations relevant to the issuance of license, permit or certificate not specifically coded to any other expenditure account, such as Law Enforcement, Fire Control, Health, etc.

524.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

524.20 **INSPECTIONS, PERMITS, CERTIFICATES AND LICENSES**

524.30 **DEPRECIATION/AMORTIZATION**

524.40 **TRAINING**

524.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

524.60 **REGULATIONS, STANDARDS AND ENFORCEMENT.** Include cable TV regulations.

(525) **EMERGENCY SERVICES** (Summary Account)

Activities related to the preparation for, response to, and recovery from disasters.

525.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

525.20 **SEARCH AND RESCUE/DISASTER RESPONSE**

525.30 **DISASTER RECOVERY**

525.40 **TRAINING**

525.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

525.60 **EMERGENCY PREPAREDNESS**

(526) **AMBULANCE, RESCUE, AND EMERGENCY AID** (Summary Account)

Rescue and emergency aid and/or ambulance service for sick and injured. See Part 1, Chapter 7 for further discussion of operating expenses in proprietary funds.

526.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

526.20 **AMBULANCE SERVICES.** Transportation of the sick and injured.

526.30 **DEPRECIATION/AMORTIZATION**

526.40 **TRAINING**

526.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 582, 591-92 for capital lease payments.

526.60 **OPERATIONS-CONTRACTED SERVICES**

526.70 **OPERATIONS-CUSTOMER BILLINGS**

526.80 **RESCUE AND EMERGENCY AID.** Deliver the trapped and stranded to safety and administer emergency medical aid to the injured and sick.

526.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(527) **JUVENILE SERVICES** (Summary Account)

Services provided to juveniles in custody. Use 521.30 for prevention programs.

527.10 **ADMINISTRATION.** Planning, organizing, coordinating, budgeting, and managing an organization.

527.20 **INTAKE.** Include the evaluation of youth presented for detention and the evaluation or referrals of youth who remain in the community.

527.30 **INVESTIGATIONS/DIAGNOSIS.** Include the activities necessary for legal investigations as well as social and medical diagnostic evaluations.

527.40 **CASE SUPERVISION.** Include all of the juvenile program services provided to youth in the community or the detention facility.

527.50 **TRANSPORTATION.** Includes all staff travel and costs related to transporting of clients and, where necessary, members of their family and/or volunteers to and from places in which they are receiving services.

527.60 **RESIDENTIAL CARE AND CUSTODY.** Activities associated with operation, service or support of facilities which provide open, protective, and/or secure care.

527.70 **MEDICAL/DENTAL TREATMENT.** Medical and dental treatment provided to youth in the community or in detention.

527.80 **JUVENILE FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and improvements such as parking lots, fences, walks, driveways, roadways, landscaping, etc., with assigned staff or contractual services. Use 594-95 for capital outlays and 591-92 for capital lease payments. Use 527.60 for detention facility costs.

527.90 **TRAINING**

(528) **COMMUNICATIONS, ALARMS AND DISPATCH** (Summary Account)

Include both routine business and emergency matters whether for a single department or centralized. (E.g., alarm systems, radio, telephone, teletype, closed circuit TV, alerting systems, intercommunication systems, recording systems and computer systems when used in a communications mode.) For the Enhanced 911 use 528.70. See Part 1, Chapter 7 for further discussion of operating expenses in proprietary funds.

528.10 **ADMINISTRATION**

528.20 **PLANNING**

528.30 **DEPRECIATION/AMORTIZATION**

528.40 **TRAINING**

528.50 **MAINTENANCE OF FACILITIES.** Use 594-95 for capital outlays.

528.60 **OPERATIONS-CONTRACTED SERVICES**

528.70 **ENHANCED 911.** Include operating expenditures related to the Enhanced 911 (E911) system. For training related to the E911 use 528.40.

528.80 **OPERATIONS-GENERAL**

528.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(530) **UTILITIES AND ENVIRONMENT** (Summary Account)

(**531)** **NATURAL RESOURCES** (Summary Account)

(531.10) **SOIL AND WATER CONSERVATION** (Summary Account)

531.11 **ADMINISTRATION**
531.15 **MAINTENANCE**
531.16 **CONTRACTED PROCESSING AND OPERATIONS**
531.17 **CUSTOMER SERVICES AND MARKETING**
531.18 **GENERAL OPERATIONS**
531.19 **OTHER**

531.20 **IRRIGATION**

531.30 **FLOOD CONTROL**

531.40 **DIKING**

531.50 **DRAINAGE**

531.60 **WEED CONTROL**

531.70 **POLLUTION CONTROL**

531.80 **ENERGY CONSERVATION**

531.90 **OTHER ENVIRONMENTAL PRESERVATION**

(532) **FACILITY ENGINEERING** (Summary Account)

Engineering and architectural services necessary for the development and improvement of facilities.

532.10 **ADMINISTRATION**

532.20 **ENGINEERING PLANS AND SERVICES**

532.30 **ENGINEERING STUDIES AND SURVEYS**

532.40 **TRAINING**

532.50 **FACILITIES.** Use 594-595 for capital outlays.

(533) **ELECTRIC AND GAS UTILITIES** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

533.10 **ADMINISTRATION-GENERAL.** Code property, excise and B&O taxes to subobjects 53-54.

533.20 **ADMINISTRATION-PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

533.30 **DEPRECIATION/AMORTIZATION/DEPLETION**

533.40 **TRAINING**

533.50 **MAINTENANCE.** Use 594-95 for capital outlays.

533.60 **OPERATIONS-CONTRACTED PROCESSING AND OPERATIONS**

533.70 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**

533.80 **OPERATIONS-GENERAL.** Code fuel costs to subobject 32 and power/gas purchased for resale to subobject 33.

533.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(534) **WATER UTILITIES** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

534.10 **ADMINISTRATION-GENERAL.** Code property, excise and B&O taxes to subobjects 53-54.

534.20 **ADMINISTRATION-PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

534.30 **DEPRECIATION/AMORTIZATION/DEPLETION**

534.40 **TRAINING**

534.50 **MAINTENANCE.** Use 594-95 for capital outlays.

534.60 **OPERATIONS-CONTRACTED PROCESSING AND OPERATIONS**

534.70 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**

534.80 **OPERATIONS-GENERAL.** Code fuel costs to subobject 32 and water purchased for resale to subobject 33.

534.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(535) **SEWER UTILITIES** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

535.10 **ADMINISTRATION-GENERAL.** Code property, excise and B&O taxes to subobjects 53-54.

535.20 **ADMINISTRATION-PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

535.30 **DEPRECIATION/AMORTIZATION/DEPLETION**

535.40 **TRAINING**

535.50 **MAINTENANCE.** Use 594-95 for capital outlays.

535.60 **OPERATIONS-CONTRACTED PROCESSING AND OPERATIONS**

535.70 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**

535.80 **OPERATIONS-GENERAL.** Code fuel costs to subobject 32.

535.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(536) **CEMETERY** (Summary Account)

Include the costs of meeting the zoning and environmental standards as well as maintenance and operation of the premises.

536.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

536.20 **CEMETERY SERVICES**

536.30 **DEPRECIATION/AMORTIZATION/DEPLETION**

536.40 **TRAINING**

536.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

(537) **GARBAGE AND SOLID WASTE UTILITIES** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

537.10 **ADMINISTRATION-GENERAL.** Code property, excise and B&O taxes to subobjects 53-54.

537.20 **ADMINISTRATION-PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

(537.30) **DEPRECIATION/AMORTIZATION/DEPLETION/LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS** (Summary Account)

537.31 **DEPRECIATION**
537.32 **AMORTIZATION**
537.33 **DEPLETION**
537.34 **LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS.** Proprietary funds should use this code with a subobject 01 when accounting for resources set aside for future expenses related to closure and postclosure care. Governmental funds should use appropriate objects 10-90 when coding actual expenditures related to closure and postclosure care.

537.40 **TRAINING**

537.50 **MAINTENANCE.** Use 594-95 for capital outlays.

537.60 **OPERATIONS-CONTRACTED PROCESSING AND OPERATIONS**

537.70 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**

537.80 **OPERATIONS-GENERAL.** Code fuel costs to subobject 32.

537.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(538) **OTHER UTILITIES AND BUSINESS-TYPE ACTIVITIES** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification. Other utilities (not listed below) may be coded using an unassigned element (4th) digit (i.e., 538.60, .70, etc.). See note below for subelement coding within the following accounts.

(538.10) **COMBINED WATER/SEWER/GARBAGE** (Summary Account)

Use this account only if the expenses are not separable for any combination of utilities (i.e., water/sewer, water/garbage, sewer/garbage, etc.).

(538.20) **NATURAL GAS** (Summary Account)

(538.30) **DRAINAGE** (Summary Account)

(538.40) **CABLE** (Summary Account)

(538.90) **OTHER** (Summary Account)

Costs incurred for other activities not defined in other accounts. (E.g., space rental/lease operations, etc.)

Note: Use the following categories of expense for each type of utility listed above:

538.X1	Administrative - General
538.X2	Administrative - Planning, Conservation, Research and Development
538.X3	Depreciation/Amortization/Depletion
538.X4	Training
538.X5	Maintenance
538.X6	Operations - Contracted Processing and Operations
538.X7	Operations - Customer Service and Marketing
538.X8	Operations - General
538.X9	Other Operating Expenses

(539) **OTHER ENVIRONMENTAL SERVICES** (Summary Account)

539.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

539.20 **NUISANCE CONTROL SERVICES.** The control of mosquitos, rodents, etc. See 531.60 for weed control and 542.70 for roadside vegetation.

539.30 **ANIMAL CONTROL.** Control and welfare of animals including collection, detention, and disposition of both living and dead animals.

539.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

539.90 **OTHER.** Include Environmental Impact Statement (EIS) costs to the extent they can be separately identified.

(540) **TRANSPORTATION** (Summary Account)

This is a major class of services provided by the local government for the safe and adequate flow of vehicles and pedestrians.

(541) **ROAD AND STREET PRESERVATION** (Summary Account)

For purposes of accounting and reporting under BARS, the costs of performing those specialized maintenance activities that serve to extend the originally estimated life of each type of roadway, roadway structure, and facility but do not increase its traffic flow capacity or efficiency. This account should not include maintenance or construction.

541.10 **ENGINEERING.** The costs of engineering associated directly with a preservation project.

541.30 **ROADWAY.** The costs of preserving the roadway prism.

541.40 **DRAINAGE.** The costs of preserving drainage systems from the point of interception within the right-of-way to the point of outfall.

541.50 **STRUCTURES.** The costs of preservation activities on bridges (structures 20 feet and over), tunnels, sea walls, irrigation canal crossings, livestock crossings, and other structures, including the operation of air pollution control devices in tunnels and traffic control during preservation activities.

541.60 **TRAFFIC AND PEDESTRIAN SERVICES.** The costs of preservation of roadway facilities and services. NOTE: For traffic policing expenditures use account 521.70.

541.61 **SIDEWALKS**
541.62 **SPECIAL PURPOSE PATHS.** For details see Part 3, Chapter 12, Interpretation 9.
541.63 **PARKING FACILITIES.** The costs of preservation activities related to parking facilities.

541.90 **PRESERVATION ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also includes general services that can be directly associated with the preservation functions of the department.

(542) **ROAD AND STREET MAINTENANCE** (Summary Account)

For purposes of accounting and reporting under BARS, the costs of performing those activities that ensure that the right-of-way and each type of roadway, roadway structure and facilities remain, as nearly as practical, in its original, as-constructed condition or its subsequently improved condition, and the operation of roadway facilities and services to provide satisfactory and safe motor vehicle transportation. This account should not include preservation or construction.

542.10 **ENGINEERING.** The costs of engineering associated directly with a maintenance project.

542.30 **ROADWAY.** The costs of maintaining the roadway prism.

542.40 **DRAINAGE.** The costs of maintenance and repair of drainage systems from the point of interception within the right-of-way to the point of outfall.

542.50 **STRUCTURES.** The costs of maintenance on bridges (structures 20 feet and over), tunnels, sea walls, irrigation canal crossings, livestock crossings, and other structures, including the operation of air pollution control devices in tunnels and traffic control during maintenance operations.

542.60 **TRAFFIC AND PEDESTRIAN SERVICES.** The costs of operation and maintenance of roadway facility and services. NOTE: For traffic policing expenditures use account 521.70.

542.61 **SIDEWALKS**

542.62 **SPECIAL PURPOSE PATHS.** For details see Part 3, Chapter 12, Interpretation 9.

542.63 **STREET LIGHTING.** The costs of operating, painting, replacing and repairing of road/street lighting systems. Does not include the lighting of parks or other ornamental lighting.

542.64 **TRAFFIC CONTROL DEVICES.** The costs of painting, repairing and replacing guardrails, signs, pavement markings and pavement stripes; operating, painting, replacing and repairing traffic signals and control systems; supervising, operating, maintaining and repairing weighing stations; and maintaining, repairing and replacing right-of-way fences when the damages result from public use of the roadway, or when maintenance is the responsibility of the department by agreement.

542.65 **PARKING FACILITIES.** The costs of operating, maintaining and repairing parking facilities and parking meters.

542.66 **SNOW AND ICE CONTROL.** The costs of all operations to reduce traffic hazards resulting from snow and ice.

542.67 **STREET CLEANING.** The costs of cleaning the road/street surface by flushing, washing or sweeping by machine or by hand, and the collection and disposal of sweepings, leaves, rocks and storm debris, except that associated with snow and ice control.

542.70 **ROADSIDE.** The costs of maintaining that portion of the right-of-way beyond the outside edge of the shoulder or the outside edge of the curb when no shoulder exists, including medians. Also include temporary signs and traffic control during maintenance operations.

542.80 **ANCILLARY OPERATIONS.** The costs of maintenance and operations that are not normally associated with the street or road department function but are performed by street or road departments in some localities because of unique geographical or organizational situations.

542.90 **MAINTENANCE ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also includes general services that can be directly associated with the maintenance function of the department.

(543) **ROAD AND STREET GENERAL ADMINISTRATION AND OVERHEAD** (Summary Account)

Work and materials of a road or street department that are concerned with the overall executive direction. These are activities of a general nature and not associated directly with a specific construction project, maintenance or preservation activity, other function separately recognized or financed.

543.10 **MANAGEMENT.** The costs of the department's executive body and employees engaged in a general administrative, guidance or supervisory capacity.

543.30 **GENERAL SERVICES.** The costs of services such as accounting, mailing, communications, public relations, insurance and other general activities.

543.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings and equipment used as shops or storage associated with road and street activities. This does not include rent or maintenance and operations costs paid by the rental and revolving fund.

543.60 **TRAINING**

543.70 **MISCELLANEOUS**

(544) **ROAD AND STREET OPERATIONS** (Summary Account)

Work and materials or a road or street department that are necessary to fulfill a legal requirement and/or to ensure the proper functioning of the department, but are not associated directly with a specific construction project, maintenance or preservation activity, or other function separately recognized or financed.

544.20 **ENGINEERING.** The costs of engineering not specifically associated with a project, operation or control section. Includes preliminary engineering for projects that were never advanced beyond the planning stage as well as such activities as issuance of right-of-way permits, land development application review, and maintenance of pavement management systems.

544.40 **PLANNING.** The costs of the work involved in the orderly and continuing assembly and analysis of information about roads/streets, including the history of their development, extent, dimensions and conditions; economic, environmental and social effects; and future needs. Includes such activities as general, non-project related transportation planning, maintenance of required inventories, and maintenance of countywide mapping.

544.70 **MISCELLANEOUS**

544.90 **OPERATIONS ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also includes general services that can be directly associated with the operations function of the department.

(545) **ROAD AND STREET EXTRAORDINARY OPERATIONS** (Summary Account)

The costs of repair and reconstruction necessitated by an unanticipated occurrence. Use the same element and subelement accounts shown in construction (595), preservation (541) and maintenance (542).

(546) **AIRPORTS, PORTS AND TERMINAL FACILITIES** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

546.10 **ADMINISTRATION-GENERAL.** Code property, excise and B&O taxes to subobjects 53-54.

546.20 **ADMINISTRATION-PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

546.30 **DEPRECIATION/AMORTIZATION/DEPLETION**

546.50 **MAINTENANCE.** Use 594-95 for capital outlays.

546.60 **OPERATIONS-CONTRACTED PROCESSING AND OPERATIONS**

546.70 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**

546.80 **OPERATIONS-GENERAL.** Code power/water/gas purchased for resale to subobject 33.

546.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(547) **TRANSIT SYSTEMS AND RAILROADS** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

547.10 **ADMINISTRATION-GENERAL.** Code property, excise and B&O taxes to subobjects 53-54.

547.20 **ADMINISTRATION-PLANNING, CONSERVATION, RESEARCH AND DEVELOPMENT**

547.30 **DEPRECIATION/AMORTIZATION/DEPLETION**

547.50 **MAINTENANCE.** Use 594-95 for capital outlays.

547.60 **OPERATIONS-CONTRACTED PROCESSING AND OPERATIONS**

547.70 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**

547.80 **OPERATIONS-GENERAL.** Code fuel costs to subobject 32 and power/water/gas purchased for resale to subobject 33.

547.90 **OTHER OPERATING EXPENSES/EXPENDITURES**

(548) **MUNICIPAL VEHICLES AND PUBLIC WORKS EQUIPMENT** (Summary Account)

Subelement coding distinguishes operating expenses in internal service funds. See Part 1, Chapter 7 for discussion of operating expenses and their BARS classification.

548.10 **ADMINISTRATION**

(548.20) **PITS, QUARRIES AND ASPHALT PLANTS** (Summary Account)

548.23 **DEPRECIATION/AMORTIZATION/DEPLETION**
548.25 **MAINTENANCE OF FACILITIES.** Use 594-95 for capital outlays.
548.26 **OPERATIONS-CONTRACTED PROCESSING**
548.27 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
548.28 **OPERATIONS-GENERAL.** May use this element for cost of goods manufactured.
548.29 **OTHER OPERATING EXPENSES/EXPENDITURES.** May use this element for cost of goods sold.

(548.30) **MECHANICAL SHOPS** (Summary Account)

548.33 **DEPRECIATION/AMORTIZATION**
548.35 **MAINTENANCE OF FACILITIES.** Use 594-95 for capital outlays.
548.36 **OPERATIONS-CONTRACTED REPAIRS AND PROCESSING**
548.37 **OPERATIONS-CUSTOMER BILLING, etc.**
548.38 **OPERATIONS-GENERAL.** Code repair parts to subobject 34
548.39 **OTHER OPERATING EXPENSES/EXPENDITURES**

(548.40) **PARTS STORES** (Summary Account)

548.43 **DEPRECIATION/AMORTIZATION**
548.45 **MAINTENANCE OF FACILITIES.** Use 594-95 for capital outlays.
548.47 **OPERATIONS-CUSTOMER BILLING, etc.**
548.48 **OPERATIONS-GENERAL.** Code merchandise purchased to subobject 34.
548.49 **OTHER OPERATING EXPENSES/EXPENDITURES.** May use this element for cost of goods sold.

(548.50) **FUEL DEPOTS** (Summary Account)

548.53 **DEPRECIATION/AMORTIZATION**
548.55 **MAINTENANCE OF FACILITIES.** Use 594-95 for capital outlays.
548.56 **OPERATIONS-CONTRACTED SERVICES**
548.57 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
548.58 **OPERATIONS-GENERAL.** Code fuel purchases to subobject 32.
548.59 **OTHER OPERATING EXPENSES/EXPENDITURES.** May use this element for cost of goods sold.

(548.60) **EQUIPMENT RENTAL SERVICES** (Summary Account)

All equipment rental may be included in this account or motor pool rentals may be accounted for separately in 548.70. The use of the separate elements does not require separate legal funds.

548.63 **DEPRECIATION/AMORTIZATION**
548.65 **MAINTENANCE OF FACILITIES AND EQUIPMENT.** Use 594-95 for capital outlays.
548.66 **OPERATIONS-CONTRACTED SERVICES**
548.67 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
548.68 **OPERATIONS-GENERAL**
548.69 **OTHER OPERATING EXPENSES/EXPENDITURES**

(548.70) **MOTOR POOL SERVICES** (Summary Account)

548.73 **DEPRECIATION/AMORTIZATION**
548.75 **MAINTENANCE OF FACILITIES AND EQUIPMENT.** Use 594-95 for capital outlays.
548.76 **OPERATIONS-CONTRACTED SERVICES**
548.77 **OPERATIONS-CUSTOMER SERVICES AND MARKETING**
548.78 **OPERATIONS-GENERAL**
548.79 **OTHER OPERATING EXPENSES/EXPENDITURES**

548.90 **OTHER SERVICES**

(550) **ECONOMIC ENVIRONMENT** (Summary Account)

This is a major class of services provided for the development and improvement in the welfare of the community and individual.

(551) **WELFARE** (Summary Account)

551.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

551.20 **WELFARE SERVICES.** Include welfare to work program payments.

551.30 **INDIGENT BURIAL.** Includes cost of disposition of unclaimed indigent remains.

551.40 **TRAINING**

551.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

(552) **EMPLOYMENT OPPORTUNITY AND DEVELOPMENT** (Summary Account)

Prepares an individual for employment and assists participation in the labor market. Preparation includes skill training, basic education and work orientation. Actions which influence the labor market consist of job placement, coordination with employers to provide employment, counseling of individuals, and equal employment opportunity.

552.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

552.20 **EQUAL EMPLOYMENT.** Activities to assist employers to develop and implement non-discriminatory employment and promotion policies and practices. See 516.70 for other equal opportunity and affirmative action activities.

552.30 **MANPOWER TRAINING.** Activities designed to provide individuals the skills necessary to participate successfully in the labor market, including adult basic education, classroom training in specific job skills, on the job training, vocational orientation training and work experience.

552.40 **TRAINING**

552.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

552.60 **OTHER SERVICES.** Consists of counseling, testing, interviewing, job placement, job finding and other functions that complement Manpower Training and Equal Employment. It includes the staff costs necessary to provide Participant Payments.

552.70 **PARTICIPANT PAYMENTS (DIRECT).** Consists of direct payments from a sub-grantee to or on behalf of individuals involved in or awaiting training or employment. The payments include wages and benefits.

552.80 **PARTICIPANT ALLOWANCES (INDIRECT).** Stipends paid weekly to participants. This allowance usually is a supplement to participant payments, but in some cases it may be the only amount a participant receives under a program. In the case of a manpower consortium with a number of program sub-grantees, a non-program sub-grantee pays the allowances to eligible participants in all sub-grant programs; the non-program subgrantee is then reimbursed by the consortium.

552.90 **PARTICIPANT SUPPORT (INDIRECT).** Transportation, child care, medical assistance and similar supplemental support. Paid to participants as needed. A subgrant agency pays the participants and then bills the consortium or other grant agency.

(553) **VETERANS SERVICES** (Summary Account)

Services including counseling and assistance and relief with respect to educational and financial benefits, housing and employment opportunities.

553.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

553.40 **TRAINING**

553.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

553.60 **SOLDIERS AND SAILORS RELIEF**

553.70 **VETERANS COUNSELING AND OTHER BENEFITS**

554.00 **CHILD CARE SERVICES**

Coordinates state and local government child care services through contracts with licensed day care providers. Coordinates other governmental agencies which provide clinical health, educational, and family counseling services.

(555)[1] **AGING** (Summary Account)

Services to improve the quality of living for elderly persons.

[1] The departments or agencies actually performing these services should use the detailed chart of accounts in the appropriate BARS supplement available from the State Auditor's Office or the agency responsible for the program.

(556) **SERVICES FOR DISABLED** (Summary Account)

556.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

556.20 **TRANSPORTATION.** (E.g., subsidies paid to operators of transit and taxi services, etc.)

556.30 **RECREATION SERVICES**

556.80 **HOUSING SERVICES.** House repair for the disabled.

(557) **COMMUNITY SERVICES** (Summary Account)

Facilitates community and neighborhood access to a broad range of governmental programs by providing information and service through a combined program.

557.10 **COUNSELING SERVICES**

557.20 **INFORMATION SERVICES.** Include such activities as supplying information and referral services or serving as a communication channel between other governmental organizations and the community. Include citizen complaint handling (ombudsman).

557.30 **TOURISM**

(558) **PLANNING AND COMMUNITY DEVELOPMENT** (Summary Account)

Master planning and comprehensive community planning and development. Use 518.20 for expenditures incurred in planning for capital assets of the government, such as buildings and parks.

558.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

558.20 **COMPREHENSIVE PLANNING**

558.40 **TRAINING**

558.60 **PLANNING** (E.g., zoning regulations and land use administration, etc.)

558.70 **RESEARCH** (E.g., feasibility studies, demographic studies and surveys, etc.)

558.80 **DEVELOPMENT.** (Urban and suburban development planning.) The physical implementation of this account is reflected in account 559, *Housing and Community Development*.

558.90 **OTHER**

(559) **HOUSING AND COMMUNITY DEVELOPMENT** (Summary Account)

Development and enforcement of building and occupancy standards and the upgrading of existing facilities. Development to meet the environmental need of the community, including slum clearance, community renewal, etc. (See account 558, *Planning and Community Development*.)

559.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

559.20 **HOUSING AND COMMUNITY SERVICES**

559.30 **COMMUNITY DEVELOPMENT SERVICES**

559.40 **TRAINING**

559.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

559.60 **BUILDING PERMITS AND PLANS REVIEW IN BUILDING AND LAND DEVELOPMENT**

559.90 **OTHER**

(560) **MENTAL AND PHYSICAL HEALTH** (Summary Account)

A major class of services provided for the care, treatment, and control of mental and physical illnesses.

(561) **HOSPITALS AND CONVALESCENT CENTERS** (Summary Account)

See Part 1, Chapter 7 for discussion of operating expenses in proprietary funds.

(562)[1] **PUBLIC HEALTH** (Summary Account)

(563) **CORONER** (Summary Account)

563.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

563.20 **CORONER SERVICES**

563.30 **DEATH INVESTIGATIONS**

563.40 **TRAINING**

563.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

[1] The departments or agencies actually performing these services should use the detailed chart of accounts in the appropriate BARS supplement available from the State Auditor's Office or the state agency responsible for the program.

(564)[1] **MENTAL HEALTH** (Summary Account)

(566)[1] **SUBSTANCE ABUSE** (Summary Account)

(568)[1] **DEVELOPMENTAL DISABILITIES** (Summary Account)

[1] The departments or agencies actually performing these services should use the detailed chart of accounts in the appropriate BARS supplement available from the State Auditor's Office or the state agency responsible for the program.

(570) **CULTURE AND RECREATION** (Summary Account)

(571) **EDUCATION** (Summary Account)

Community education.

571.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

571.20 **EDUCATION SERVICES**

571.21 **AGRICULTURE.** All cooperative extension agents.
571.22 **HOME ECONOMICS**
571.23 **YOUTH SERVICES** (E.g., 4-H, Boy Scouts, Campfire Girls, etc.)
571.25 **HORTICULTURE**
571.29 **OTHER**

571.40 **TRAINING**

571.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

571.90 **OTHER**

(572) **LIBRARIES** (Summary Account)

572.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

572.20 **LIBRARY SERVICES**

572.21 **PUBLIC SERVICE**
572.22 **ORGANIZATION OF MATERIALS**

572.40 **TRAINING**

572.50 **FACILITIES.** Rent, repair, operation and maintenance of land, buildings, and equipment. Use 594-95 for capital outlays and 591-92 for capital lease payments.

572.90 **OTHER**

(573) **SPECTATOR AND COMMUNITY EVENTS** (Summary Account)

Use this account for activities intended to display arts, entertain, promote industry or recognize historic and festive occasions. These accounts are intended to reflect the costs incurred by a county or city in sponsoring those events which they have legal authority to sponsor. These accounts would also reflect the costs incurred by a county or city when they host events for private sponsors. Account for facilities in the account 575.

573.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

573.20 **ARTS AND SCIENCES**

573.30 **COMMERCIAL** (E.g., auto, boat, home shows, etc.)

573.60 **SPORTS**

573.70 **FAIRS.** For details see Part 3, Chapter 12, Interpretation 1.

573.80 **CONVENTIONS**

573.90 **OTHER** (E.g., dedicatory functions, circuses, historical celebrations, decorations for holiday or other festive occasions, etc.)

(574) **PARTICIPANT RECREATION** (Summary Account)

Programs for leisure time activities, including organized sports, games, dances, arts and crafts, and lessons. Account for facilities in the account 575.

574.10 **ADMINISTRATION.** Overhead costs for participant recreational programs.

574.20 **RECREATION SERVICES.** Costs of personnel, supplies, rented facilities, etc., that are directly attributable to a participant program.

574.40 **TRAINING**

574.90 **OTHER**

(575) **CULTURAL AND RECREATIONAL FACILITIES** (Summary Account)

Include costs of maintenance and general operations of owned or leased facilities. Costs associated with specific events should be accounted for in 573. Use 594-595 for construction and equipment purchases. The subelement detail shown for stadiums and auditoriums, fairgrounds and convention centers, may be used for other facilities as well. See Part 1, Chapter 7 for discussion of operating expenses of proprietary funds.

(575.20) **STADIUMS AND AUDITORIUMS** (Summary Account)

Include opera houses.

575.21 **ADMINISTRATION-GENERAL**
575.22 **ADMINISTRATION-PLANNING**
575.23 **DEPRECIATION/AMORTIZATION**
575.25 **MAINTENANCE**
575.26 **OPERATIONS-CONTRACTED**
575.27 **CUSTOMER SERVICES AND MARKETING**
575.28 **OPERATIONS-GENERAL**
575.29 **OTHER OPERATING EXPENSES/EXPENDITURES**

575.30 **MUSEUMS AND ART GALLERIES**

(575.40) **FAIRGROUNDS AND CONVENTION CENTERS** (Summary Account)

575.41 **ADMINISTRATION-GENERAL**
575.42 **ADMINISTRATION-PLANNING**
575.43 **DEPRECIATION/AMORTIZATION**
575.45 **MAINTENANCE**
575.46 **OPERATIONS-CONTRACTED**
575.47 **CUSTOMER SERVICES AND MARKETING**
575.48 **OPERATIONS-GENERAL**
575.49 **OTHER OPERATING EXPENSES/EXPENDITURES**

575.50 **MULTIPURPOSE AND COMMUNITY CENTERS.** If exclusively a senior center, use 555.

575.70 **MARINAS**

575.90 **OTHER**

(576) **PARK FACILITIES** (Summary Account)

Include costs of maintenance and general operations of owned or leased facilities. Costs associated with specific events or recreational programs should be accounted for in account 573 or 574. Use 594-595 for capital outlays and 582, 591-592 for capital lease payments. The subelement detail shown for golf courses may be used for other facilities as well. See Part 1, Chapter 7 for discussion of operating expenses of proprietary funds.

576.10 **ADMINISTRATION.** Activities of general nature, not associated directly with a specific service function.

576.20 **SWIMMING POOLS**

576.30 **CAMPGROUNDS**

576.40 **BALL COURTS** (E.g., tennis, racquetball, etc.)

(576.60) **GOLF COURSES** (Summary Account)

576.61 **ADMINISTRATION-GENERAL**
576.63 **DEPRECIATION/AMORTIZATION/DEPLETION**
576.65 **MAINTENANCE**
576.66 **OPERATIONS-CONTRACTED**
576.67 **CUSTOMER SERVICES AND MARKETING**
576.68 **OPERATIONS-GENERAL**
576.69 **OTHER OPERATING EXPENSES/EXPENDITURES**

576.80 **GENERAL PARKS** (E.g., playgrounds, etc.)

576.90 **OTHER** (E.g., zoos, public gardens, aquariums, etc.)

(580) **NONEXPENDITURES** (Summary Account)

Disbursements which do not meet the expenditures criteria. You may use the 580 series of accounts as subsidiary accounts to the appropriate general ledger accounts (identified below as G.L. account).

(581) **INTERFUND LOAN DISBURSEMENTS** (Summary Account)

Include interfund loans made to others and payments on those loans. Do not include interfund payments for services, materials or equipment properly included in other expenditure accounts. See the Glossary.

581.10 **LOANS ISSUED TO OTHER FUNDS** (G.L. accounts 132 and 165)

581.20 **LOAN REPAYMENT ISSUED** (G.L. accounts 227 and 255)

(582) **REDEMPTION OF LONG-TERM DEBT - PROPRIETARY FUNDS ONLY** (Summary Account)

Use this account only for debt recorded in proprietary funds. Code by purpose in the element/subelement field (see the table on the last page of this chapter) and by subobject to classify the type of debt being paid or expensed. For governmental funds use 591. (G.L. accounts 217, 229, 235, 239, and 241.) For interest or coupon payments use account 592.

584.00 **PURCHASE OF INVESTMENTS.** Amounts paid for investments. Do not include interest paid when investments are acquired between interest coupon dates. See account 361.90. (G.L. account 118)

585.00 **DISBURSEMENTS OF ACCRUED EXPENDITURES/EXPENSES** (G.L. accounts 213-223, 229-231 and 239.60)

586.00 **AGENCY TYPE DISBURSEMENTS.** Cash disbursements from an agency fund (G.L. account 237). Examples:

Sales and Leasehold Excise Taxes
Forest Patrol
State Share of Gun Permits
Surety and Performance Deposits
Court Remittances, etc.

Unless specifically prescribed by the BARS manual, element, subelement, object and subobject codes may be assigned locally.

588.00 **OTHER DECREASES IN FUND BALANCES/NET ASSETS**

588.80 **PRIOR YEAR(S) CORRECTIONS.** This account should be used only for material errors in prior periods that would distort current operations. It should be recorded as a direct adjustment to fund balance/net assets at the beginning of the fiscal year (G.L. 292.70). It cannot be used for refunds which should be debited to the revenue account. The correction of minor errors should be debited to 519.90.

589.00 **OTHER NONEXPENDITURES.** Use this account for all other nonexpenditure transactions not includable in other specific 580 accounts. This account may also be used for refunds of revenues collected in error pending their debit to a revenue account. (Debit account 585 if a payable was established when the need for refund was identified.) Examples:

Disbursement of moneys out of a clearing fund (RCW 35.21.085) such as salary or claims. (G.L. account 211)

Disbursement of moneys out of a suspense fund. (G.L. account 237, 239.90, or 245.90. Use G.L. account 239.10 or 245.10 for customer deposits.)

Disbursement of unidentified moneys pending identification and ultimate distribution. (G.L. account 237 or 239.90)

Proprietary fund disbursements for inventory, prepayments and work-in-process (G.L. accounts 141-145), for capital assets (G.L. accounts 171-189), etc.

Normally use 582, 591, 592 and 599 Basubs for the remittance of moneys to fiscal agents for the redemption of bond principal and payment of interest.

591-593 DEBT SERVICE

(591) REDEMPTION OF LONG-TERM DEBT - GOVERNMENTAL FUNDS ONLY (Summary Account)

Code by purpose in the element/subelement field (see the table on the last page of this chapter) and by subobject to classify the type of debt being paid. For proprietary funds use 582.

(592) INTEREST AND OTHER DEBT SERVICE COSTS (Summary Account)

Code by purpose in the element/subelement field (see the table on the last page of this chapter) and by subobject to indicate the type of debt service cost being paid or expensed. Also include interest on interfund loans (for principal payment use 581).

(593) ADVANCE REFUNDING ESCROW (Summary Account)

Include payments made to escrow agent from sources other than refunding debt proceeds. Code by purpose in the element/subelement field (see the table on the last page of this chapter).

594-595 OTHER EXPENDITURES/EXPENSES

(594) CAPITAL EXPENDITURES (Summary Account)

Use this account to record all capital outlays. (See 595 for roads/streets construction and other infrastructure expenditures.) Code by purpose in the element/subelement field (see the table on the last page of this chapter) and by subobject to classify the type of capital expenditures. When construction or capital improvements are made with a government's own labor and materials (force account), use the appropriate salary, benefit, and supply objects.

(595) **ROADS/STREETS CONSTRUCTION AND OTHER INFRASTRUCTURE** (Summary Account)

For purposes of accounting and reporting under BARS, the costs of performing those activities involved in the building of a new road facility or improvement of an existing facility to a higher geometric or structural standard, or undertaking activities that increase the traffic flow capacity or efficiency of an existing facility.

595.10 **ENGINEERING.** The costs of engineering associated directly with a construction project.

595.20 **RIGHT-OF-WAY.** The purchase of land or interest therein, including all work incidental to the acquisition of property rights for or devoted to a public road/street.

595.30 **ROADWAY.** The costs of all construction within the roadway prism, including all appertaining structures and other necessary features.

595.40 **DRAINAGE.** The costs of construction storm drainage systems. Include dikes and levees. Sanitary sewer systems are excluded.

595.50 **STRUCTURES.** The costs of constructing bridges 20 feet in length or longer, tunnels, sea walls, coastal, riverine structures, irrigation canal crossings and livestock crossings that are necessary to provide protection or to provide a means for the roadway to pass over or through an obstacle within the right-of-way.

595.60 **TRAFFIC AND PEDESTRIAN SERVICES.** The costs of work on construction projects that relates to traffic and pedestrian service facility installations. For traffic policing use account 521.70.

595.61 **SIDEWALKS**

595.62 **SPECIAL PURPOSE PATHS.** (RCW 47.30.050). For details see Part 3, Chapter 12, Interpretation 9.

595.63 **STREET LIGHTING.** The costs of constructing street lighting systems for road/street functions. This does not include the lighting of parks or other ornamental lighting.

595.64 **TRAFFIC CONTROL DEVICES.** The costs of construction projects involving traffic control devices.

595.65 **PARKING FACILITIES.** The costs of construction public parking facilities, including the purchase and installation of parking meters.

595.70 **ROADSIDE DEVELOPMENT.** The costs of construction projects involving roadside development. This includes landscaping, beautification, sound barriers, and irrigation.

595.80 **ANCILLARY OPERATIONS.** The cost of construction that is not normally associated with the street or road department function but is performed by street or road departments in some localities because of unique geographical or organizational situations.

595.90 **CONSTRUCTION ADMINISTRATION AND OVERHEAD.** Supervisory operations. Also includes general services that can be directly associated with the construction function of the department.

597-599 OTHER FINANCING USES

597.00 TRANSFERS - OUT. Include financial outflows to other funds without equivalent flows of assets in return or without a requirement for repayment. The fund receiving the transfers in will use account code 397. See the Glossary for explanation and examples. Although not required, many local governments have found it useful to use the element/subelement field to code the expenditure Basub for which the subsidy is being paid. By using the same coding in account 397, balancing and reconciliation of transfers in and out is made much easier. The table on the last page of this chapter should be used for this purpose.

Note: Counties should use account 521.70 for traffic policing.

597.91 TRANSFERS TO PRIMARY GOVERNMENT. Amounts transferred to the primary government from discretely presented component units. Some transfers, previously recorded in 597, will need to be reclassified for the presentation in the reporting entity financial statements. For details see Part 3, Chapter 12, Interpretation 14.

597.92 TRANSFERS TO COMPONENT UNITS. Amounts transferred to discretely presented component units from the primary government. Some transfers, previously recorded in 597, will need to be reclassified for the presentation of reporting entity financial statements. For details see Part 3, Chapter 12, Interpretation 14.

(598) INTERGOVERNMENTAL AGREEMENTS (Summary Account)

This account is used to record local governments' disbursement of funds to other governments based on intergovernmental agreements. For example, a county's disbursement of gas tax in exchange for an agreement with a city to forgo grant funding. Code the purpose in the element/subelement field (see the table on the last page of this chapter). Also use subobject 52 with this Basub. Intergovernmental services are coded to the applicable Basub and subobject 51.

(599) PAYMENTS TO REFUNDED DEBT ESCROW AGENT (Summary Account)

Payments to an escrow agent from refunding debt proceeds that are to be placed in irrevocable trust. Code the purpose in the element/subelement field (see the table on the last page of this chapter) and by subobject to classify the type of debt being paid.

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

00[1] RECLASSIFICATIONS AND COST ALLOCATIONS

Depreciation, Amortization and Depletion Expense
Bad Debt Expense
Inventory Write-Off
Reallocated Costs (Debit and Credit)
Other Cost Reclassifications (Debit and Credit)

10[1] SALARIES AND WAGES

20[1] PERSONNEL BENEFITS

Pension and Disability Payments

30[1] SUPPLIES

Office and Operating Supplies
Fuel Consumed
Power/Water/Gas Purchased for Resale
Items Purchased for Inventory or Resale
Small Tools and Minor Equipment

40[1] OTHER SERVICES AND CHARGES

Professional Services
Communication
Travel
Advertising
Operating Rentals and Leases
Insurance
Utility Services
Repairs and Maintenance
Miscellaneous

50[1] INTERGOVERNMENTAL/INTERFUND SERVICES AND TAXES

Intergovernmental Professional Services
Intergovernmental Payments from Federal, State, or Local Funds
External Taxes and Operating Assessments
Interfund Taxes and Operating Assessments
Interfund Subsidies

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[1] Only the object (first digit) is required for reporting purposes. The subobject (second digit) is recommended for accounting purposes.

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

60[1] CAPITAL OUTLAYS

Land
Buildings and Structures
Other Improvements
Machinery and Equipment
Construction of Capital Assets
Capitalized Rentals and Leases

70[1] DEBT SERVICE: PRINCIPAL

General Obligation Bonds
Revenue Bonds
Special Assessment Bonds
Revenue Warrants
Capital Leases and Installment Purchases
Anticipation Notes/Warrants
Other Notes
Intergovernmental Loans
Other Debt

80[1] DEBT SERVICE: INTEREST AND RELATED COSTS

Interest on Short-Term External Debt
Interest on Interfund Debt
Interest on Long-Term External Debt
Debt Issue Costs
Debt Registration Costs
Other Debt Service Costs

90[1] INTERFUND PAYMENTS FOR SERVICES

Professional Services
Communications
Supplies
Capital Outlays
Operating Rentals and Leases
Insurance Services
Repairs and Maintenance
Other Services and Charges

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[1] Only the object (first digit) is required for reporting purposes. The subobject (second digit) is recommended for accounting purposes.

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

OBJECT. As used in expenditure classification, this term applies to the article purchased or the service obtained as distinguished from the results obtained from expenditures.

NOTE: When received a reimbursement or refund, reverse (credit) the original expenditure/expense transaction using the same BARS account code (including the same object/subobject) like when the original transactions was posted. The same should be done for any reclassification or reallocation.

If the reimbursement applies to expenditures/expenses from the previous period(s) and reversing of transaction(s) is not possible, post the amount of reimbursements/refunds as a miscellaneous revenue and, if the amount is material, provide an explanation in the note to the financial statements.

00 RECLASSIFICATIONS AND COST ALLOCATIONS. Use of this category of objects is **optional**. Unlike the remaining objects, those included in this category do not account for an immediate or anticipated cash outlay. Subobjects 04-05 do not represent particular types of articles or services, but summary accounts for grouping and redistributing other objects. If your accounting system has additional digits in the object field, the purposes accomplished here by subobjects 04-05 can be achieved even more effectively by appending a 4 or 5 to the regular subobject codes 11-89.

01 Depreciation, Amortization, And Depletion Expense. These types of transactions do not need to be coded at the object level. You may use this object to charge a portion of the cost of capital or intangible assets against income in proprietary and fiduciary funds and to record depreciation for governmental fund capital assets. Use this subobject in proprietary funds when coding expenses related to landfill closure and postclosure care.

02 Bad Debt Expense. You may use it to charge estimated uncollectible receivables as expenses in proprietary funds and to write off debts declared uncollectible by the legislative body in governmental funds.

03 Inventory Write-Offs. You may use it to charge off obsolete inventory and inventory shortages. Inventory overages should be credited against an expenditure account.

04 Reallocated Costs (Debit And Credit). You may use it to summarize and redistribute costs that were originally charged to a single Basub/element, program, or project. **Debits and credits to this subobject must always be equal.**

05 Other Cost Reclassifications (Debit And Credit). You may use it to summarize and reclassify costs that do not meet the criteria of subobjects 01-04. **Debits and credits to this subobject must always be equal.**

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

10[1] **SALARIES AND WAGES.** Amounts paid for personal services rendered by employees in accordance with the rates, hours, terms and conditions authorized by law or stated in employment contracts. This category also includes overtime, hazardous duty or other compensation construed to be salaries and wages. Subdivide this account as necessary for local purposes (i.e., regular pay, overtime pay, sick pay (employee related), sick pay (non-employee related), vacation pay, shift differential, and other taxable compensation).

Note: Personal Services do not include fees and out-of-pocket expenses for professional or consultant services performed on assignments. Such services are properly classified as *Other Services and Charges.*

20[1] **PERSONNEL BENEFITS.** Those benefits paid by the employer as part of the conditions of employment. Subdivide as needed for local purposes. Examples:

Insurance	Unemployment Compensation
OASI (FICA) - Employer-paid portion	Uniforms and Clothing
Pension Retirement	Workmen's Compensation

29 Pension and Disability Payments. Payments by self-insurance and trust funds to retired or disabled employees or their beneficiaries. Use other 20 subobjects for employer payments to pension systems and to state agencies for unemployment and disability insurance. Use subobject 49 for payments from self-insurance funds for property and liability claims.

[1] Required for reporting purposes.

CLASSIFICATION OF EXPENDITURES BY OBJECT
Definitions

30[1] **SUPPLIES.** This is a basic classification of expenditures by object for articles and commodities purchased for consumption or resale.

31 Office and Operating Supplies. Articles purchased directly and consumed by operating departments. Examples:

Office Supplies	Feed for Animals
Forms	Food for Human Consumption
Agricultural Supplies	Household and Institution Supplies
Chemicals	Laboratory Supplies
Cleaning and Sanitation Supplies	Lubricants
Clothing	Medicines
Construction Materials and Supplies	Paints and Painting Supplies
Drugs	Plumbing Supplies
Electrical Supplies	Publications

32 Fuel Consumed. Include fuel used to generate power, fuel for heating, and fuel for operating engines and vehicles. See subobject 34 for fuel purchased for resale. Use subobject 47 for electricity and natural gas. Examples:

Coal	Nuclear Fuel
Diesel Fuel	Propane Gas
Fuel Oil	Wood
Gasoline	

33 Power, Water, Gas Purchased For Resale

34 Supplies Purchased for Inventory or Resale
Examples:

Internal Service Fund items such as automotive repair parts	Central Stores
Code Books, Maps	Fuel
Concession Supplies	Grave Markers and Liners
	Library Books and Other Library Materials (if capitalized, see subobject 64)

35 Small Tools and Minor Equipment

[1] Required for reporting purposes.

40[1] **OTHER SERVICES AND CHARGES.** This is a basic classification by object for services other than personal services which are needed by the government. Such services may be provided by a governmental agency or by private business organizations. For interfund payments for services see object 90. The following are principal types of services and charges included in this object classification:

41 Professional Services
Examples:

Accounting and Auditing	Management Consulting
Engineering and Architectural	Legal
Medical, Dental and Hospital	Custodial Cleaning
Computer Programming	Messenger

42 Communication
Examples:

Telephone	Postage
On-Line Charges	Facsimile

43 Travel
Examples:

Per Diem	Meals
Lodging	Mileage

44 Advertising

45 Operating Rentals and Leases. See subobject 66 for the distinction between operating and capitalized leases or rentals.

46 Insurance
Examples:

Fire	Theft
Other Casualty	Liability
Bonds	

Note: Use object 20 for insurance applicable to personnel benefits.

47 Utility Services
Examples:

Gas	Electricity
Water	Waste Disposal
Sewer	Cable TV

Note: Use subobject 33 for power, water or gas purchased for resale.

[1] Required for reporting purposes.

48 Repairs and Maintenance. Contracted (external) labor and supplies furnished by the contractors. See object 60 for construction contracts.

Examples:

Buildings	Structures
Improvements	Equipment

49 Miscellaneous

Examples:

Court Costs and Investigations	Judgments and Damages
Dues, Subscriptions and Memberships	Registration
Information and Credit Services	Laundry and Other Sanitation Services
Filing, Recording and Witness Fees	Printing and Binding
Contractual Services not Otherwise Classified	Tuition

CLASSIFICATION OF EXPENDITURES BY OBJECT
Definitions

50[1] **INTERGOVERNMENTAL/INTERFUND SERVICES AND TAXES.** This classification is primarily designed to segregate intergovernmental purchases of those specialized services typically performed by local governments. Such expenditures should be coded to subobject 51. Separate subobjects within this category may also be used to code transfers at the object level. Such coding of interfund transfers is not required because no expenditure has yet occurred when an interfund transfer takes place, unless the transaction is properly classified as a quasi-external transaction, in which case one of the 90 objects should be used.

51 Intergovernmental Professional Services. Expenditures made to other governmental entities for services rendered. Intergovernmental services are limited to those functions normally provided by governments and not by private businesses. Examples include police and fire protection, detention, election services, animal control, inspections, libraries, pollution control, planning, and health services. Do not include expenditures that happen to be paid to another government but are not governmental in nature, such as those for insurance, utility charges, rentals, repairs and supplies. Also, do not include any interfund expenditures: quasi-external transactions should be coded using one of the 90 series of objects; transfers do not need to be coded at the object level. If your system requires object coding for interfund transfers, see subobject 55.

52 Intergovernmental Payments from Federal, State, or Local Funds. Use this subobject for contributions the government makes to other local governments out of federal shared revenues, including flood control lease receipts and general revenue sharing. Also use this subobject for disbursement of state or local revenues to other governments.

53 External Taxes and Operating Assessments. Payments to other governments based on levies against property or income of the government. Do not separate sales taxes from the cost of the article or service purchased. Code LID payments and other special assessments to subobject 61 or 63.

54 Interfund Taxes and Operating Assessments. Payments to other funds of your government based on levies against property or income of a fund. Interfund LID payments and most other special assessments are accounted for as capital outlays (subobject 94) in the year assessed, and as debt service payments thereafter (subobjects 79 and 82).

55 Interfund Subsidies. The use of this subobject is optional; in fact, it is not recommended unless you have a system that requires all transactions to have objects. This subobject must be used only with Basub 597, to record contributions one fund makes to another fund. Examples include payments to a debt service fund by the general fund and transfers of tax (or other) revenue from the general fund to support a library, park, or jail accounted for in a separate fund.

[1] Required for reporting purposes.

CLASSIFICATION OF EXPENDITURES BY OBJECT

Definitions

60[1] **CAPITAL OUTLAYS.** Expenditures which result in the acquisition of, rights to, or additions to capital assets, including incidental costs such as legal, appraisal and brokerage fees, land preparation and demolishing buildings, fixtures and delivery costs. This category of object includes all major purchases of capital assets both those which are recorded in general ledger accounts 171-189 and infrastructure. See the Glossary definition of capital assets and the descriptions of accounts 594-595. This object should be used with accounts 594-595.

THIS OBJECT CLASSIFICATION PERTAINS ONLY TO THOSE ASSETS WHICH ARE PURCHASED, NOT THOSE CONSTRUCTED OR FABRICATED BY THE MUNICIPALITY. Cost elements of the latter are classified under other object classes; i.e., wages under *Personal Services*, materials under *Supplies*, etc.

61 Land and Land Improvements

Examples:

- Easements
- Site Improvements such as: excavation, fill, grading, utility installation, removal, relocation or reconstruction of property of others (e.g., railroads, phone and power lines), retaining walls, parking lots, fencing and landscaping[2]
- Rights-of-Way
- LID Payments to Other Governments
- Land Acquisition Costs and Related Expenditures

62 Buildings and Structures (Acquisition, Construction and Improvements)

Examples:

- Administration and Office Buildings
- Garage and Shop Buildings
- Storerooms and Warehouses
- Zoos and Other Park Buildings
- Firehouses
- Jails
- Libraries
- Coastal and Riverine Structures

63 Other Improvements

Examples:

- Alleys
- Athletic Fields
- Bridges
- Culverts
- Water and Sewer Systems
- Fuel Depots
- Dikes and Levees
- Trails and Bike Paths
- Tunnels
- Lighting Systems
- Parking Areas
- Roadways
- Sidewalks
- Storm Drains
- Streets
- Signs and Signals
- Landscapes and Vegetation[2]

64 Machinery and Equipment

Examples:

- Communications
- Laboratory
- Transportation
- Police Dogs and Horses
- Library Resources[3]
- Janitorial
- Office Furniture and Equipment
- Heavy Duty Work Equipment
- Computer Software/Hardware

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[1] Required for reporting purposes.

[2] See footnote 1 in Part 4, Chapter 2, page 20.

[3] Includes books, audiovisuals, materials, some reference materials, with useful life more than one year. These resources may be depreciated using group or composite depreciation method. In certain situations, library books may be considered

Note: Exclude small tools and minor equipment (see subobject 35).

work of art or historical treasures and should be reported as such. Other library resources (e.g., periodicals, etc.) should be reported under subobject 34.

65 Construction of Capital Assets

Note: This classification is to be used where the expenditure applies to improvement projects involving several distinct subobjects such as land, buildings and structures, and other improvements. It is intended that the classification will be used primarily for undistributed work in progress in capital projects funds. Work orders or other adequate records must be maintained to identify and establish the validity of all amounts which ultimately will be distributed to appropriate capital asset accounts.

66 Capitalized Rentals and Leases

At the time an asset is acquired, use this classification for the total principal to be paid for a capital asset under executory conditional sales contracts (RCW 39.30.010), lease-purchase agreements, installment purchase agreements, and similar arrangements that defer payment for capital outlays over a period of time. An offsetting credit is made to account 391.50 or 382.50.

Also use this classification to record the expenditure at the time the asset is acquired if the agreement meets any one of the following criteria:

a. The agreement transfers ownership of the property by the end of the lease term.

b. The agreement allows the municipality an option to purchase the property during or at the end of the lease term at a price that is considerably below the market value of the property at the time of the option.

c. The term of the agreement is at least 75% of the estimated useful life of the property.

d. The total payments under the agreement, less interest costs and charges for insurance and maintenance, equal or exceed 90% of the market value of the property at the date of the agreement.

Payments under installment purchases and capital leases are coded to subobjects 75 and 83 as debt service. Any rent or lease payments that do not fit in the above categories should be charged to subobject 45, *Operating Rentals and Leases*.

70[1] **DEBT SERVICE: PRINCIPAL.** Use with Basub 581, 582, 591, 593 and 599.

71 General Obligation Bonds

72 Revenue Bonds

73 Special Assessment Bonds

74 Revenue Warrants

75 Capital Leases and Installment Purchases

76 Anticipation Notes/Warrants

77 Other Notes

78 Intergovernmental Loans

79 Other Debt. Include interfund loans principal payments, LID assessments, etc.

80[1] **DEBT SERVICE: INTEREST AND RELATED COSTS.** Use with Basub 592, or if interest expenses are capitalized, use Basub 594.

81 Interest on Short-Term External Debt

82 Interest on Interfund Debt. Include interest on debt to joint ventures and affiliates, LID assessments.

83 Interest on Long-Term External Debt. Include intergovernmental, leases, etc.

84 Debt Issue Costs

85 Debt Registration Costs

89 Other Debt Service Costs

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[1] Required for reporting purposes.

90[1] **INTERFUND PAYMENTS FOR SERVICES.** Expenditures made to other funds (or other departments of the same fund) for services rendered. Use subobject 54 for interfund taxes and subobject 82 for interfund interest. Use subobject 47 for utility payments. Do not include reimbursements or contributions (subsidies). See the Glossary definitions of the various kinds of interfund transactions. If your accounting system has additional digits available in the object field, the purposes accomplished here by subobjects 91-99 can be achieved even more effectively by appending subobject codes 10-89 to a 9 (e.g., .941 for interfund professional services).

91 Interfund Professional Services. For examples of professional services, see subobjects 41 and 51.

92 Interfund Communications. For examples of communications, see subobject 42.

93 Interfund Supplies. For examples of supplies, see subobjects 31-35.

94 Interfund Capital Outlays. For examples of capital outlays, see subobjects 61-66.

95 Interfund Operating Rentals and Leases. For examples of operating rentals and leases, see subobject 45.

96 Interfund Insurance Services. For examples of insurance services, see subobject 46.

98 Interfund Repairs and Maintenance. For examples of repairs and maintenance, see subobject 48.

99 Other Interfund Services and Charges.

[1] Required for reporting purposes.

CLASSIFICATION OF CERTAIN EXPENDITURES/EXPENSES BY ELEMENT/SUBELEMENT

Use this table only with accounts 582, 591-594, 597-599

General Government Services

11 Legislature
12 Courts
13 Executive
14 Finance and Other Administration
15 Legal Services
16 Personnel Services
17 Employee Benefits Programs
18 Central Services
19 Miscellaneous General Government

Security of Persons and Property

21 Law Enforcement
22 Fire Control
23 Adult Detention/Correction
24 Protective Inspections
25 Emergency Services
26 Ambulance/Rescue/Emergency Aid
27 Juvenile Services
28 Communications/Alarm/Dispatch

Utilities and Environment

31 Natural Resources
32 Facility Engineering
33 Electric/Gas Utilities
34 Water Utilities
35 Sewer Utilities
36 Cemeteries
37 Garbage/Solid Waste
38 Other Utilities and Business-Type Activities
39 Other Environmental Services

Transportation

41 Road/Street Preservation
42 Road/Street Maintenance
43 Road/Street Administration and Overhead
44 Road/Street Operations
45 Road/Street Extraordinary Operations
46 Airports/Ports/Terminals
47 Transit Systems/Railroads
48 Motor Pool Vehicles/Public Works Equipment

Economic Environment

51 Welfare
52 Employment Opportunity
53 Veterans Services
54 Child Care
55 Aging
56 Services for Disabled
57 Information/Outreach
58 Planning
59 Housing

Mental and Physical Health

61 Hospitals/Convalescent Centers
62 Public Health
63 Coroners
64 Mental Health
66 Substance Abuse
68 Developmental Disabilities

Culture and Recreation

71 Education
72 Libraries
73 Multipurpose/Community Centers
74 Stadiums/Auditoriums
75 Fairgrounds/Convention Centers
76 Park Facilities
79 Other Culture and Recreation

Debt

81 Amortization of Debt Premium (Credit)
82 Amortization of Debt Discount (Debit)
83 Amortization of Debt Issue Costs
89 Refunding Debt

Other

95 Road/Street Construction and Other Infrastructure
96 Conservation Districts-Cost Sharing Programs

INTRODUCTION

The accounts contained in this chapter provide supplemental detail for the general ledger accounts in Chapter 2 and can be used for both proprietary and general capital assets. For local governments which have regulated utilities, these capital asset detail accounts are designed to satisfy regulatory reporting requirements and can be rearranged in regulatory account sequence by using a conversion chart. Complete conversion charts for most utility systems (e.g., NARUC, FERC, railroads, natural gas, etc.) are available upon request.

Requirements and suggested procedures for implementing and maintaining a capital asset accounting system are contained in Part 3, Chapter 7.

Part 3, Chapter 7, also contains a set of forms for individual capital asset records, to which references are made throughout this chapter. The forms are designed to include the account number which facilitates reconciliation of these individual records to the general ledger control accounts. The BARS account number consists of at least six digits up to a maximum of 16 digits; and, depending on the use of these digits, information can be summarized by any of the specific characteristics in these fields. A sample of the coding and sorting applications are illustrated in this chapter.

What follows are selected portions of the complete Chapter 5, *Optional Capital Asset Accounts*, which is available on request. (It was not furnished automatically because it is not mandatory.)

The complete text of this chapter contains expanded illustrations of coding strategies to identify assets by location, components of buildings, etc. It also contains definitions of all of the detail accounts, instructions for using the accounts, and an index of specific types of assets to include in each account.

Capital Assets Account Code Structure

An integral part of the overall capital asset accounting structure is the coding system available for capital asset accounting. A diagram of this system is provided below. The BARS uses 16 digits in six fields. Two of these fields use a total of five digits for the required general ledger account and the optional capital asset detail. One to three additional digits are needed for fund identification. This leaves three fields (eight digits) which can be used by a local government for additional capital asset detail. These unassigned fields can supply all the additional detail most local governments need without separate or subsidiary accounting systems for capital assets. Although there are specific functional "labels" (i.e., fund field, local option fields, etc.) for all the fields in the BARS, only those fields that are required have to be used as the "label" indicates. Fields that are unassigned or for optional use with capital asset fields can be designated for whatever purpose the local government chooses. The local option fields can be used to identify location or make and model, etc.

R R R	U U U	U U U	R R R	O O	U U
Fund Field	Local Option Field	Local Option Field	Prime and BASUB Field	Element and Subelement Field	Object and Subobject Field

R – Minimum required by the BARS accounting for capital assets
O – Optional capital asset account detail
U – Unassigned fields in the BARS capital asset system, available to the local government for additional detail

The following prescription is not intended to illustrate journal entries, rather, it represents a sample application of the coding that ultimately appears on individual capital asset records. (See Part 3, Chapter 7, Section A for samples of the individual capital asset records and illustrations of journal entries.) It is up to the local government to decide what, if any, significance will be assigned to the various optional or unassigned fields. Whatever alternative is chosen or developed, it should be documented and included in the capital asset accounting manual.

Local Option Fields

A combination of these two 3-digit unassigned fields can be used to identify departments, divisions, functions, and locations within proprietary and governmental funds. For instance, in a sewer fund where there are multiple pumping stations, these fields could identify each specific pumping station. In a governmental fund, the fields can be used to distinguish departments, or divisions and functions within a department. For instance, in the general (current expense) fund, department 110 could signify the Sheriff's Department. By assigning further detail to these fields, the government can identify specific functions and locations for assets assigned to the Sheriff's Department. The following table illustrates this type of location/function application.

General (Current Expense) Fund

110 - Department location/function – Sheriff's Department
- 111 - Civil Division
- 112 - Criminal Division
- 113 - Juvenile Division
- 114 - Jail Custody - Adult prisoners
- 115 - Jail Custody - Juvenile Center
- etc.

If more location/function identification is desired, coding can be more specific. For example, assume 110 is the Sheriff's Department and 112 is the Criminal Division, then the program code and department code schedules could identify functions within the division:

Program Code	Department Code
001 - Administration	112 - Criminal Division
002 - Detectives	112 - Criminal Division
003 - K-9 unit	112 - Criminal Division

Using the tables illustrated and the appropriate asset detail account, the guns for the detectives in the Sheriff's Criminal Division would be coded with the following account number:

Governmental Fund - Asset Account

0 0 1	0 0 2	1 1 2	1 8 8	1 0	0 0
Fund Field	Local Option Field	Local Option Field	Prime and BASUB Field	Element and Subelement Field	Object and Subobject Field
Current Expense Fund	Detectives	Sheriff-Criminal Division	Machinery and Equipment	Law Enforcement Weapons	Not Used

Using the same rationale for the sewer utility fund, assume that the program and department coding assignments are:

Local Option Code	Local Option Code
001 - Pumping Station #1	Sewer Plant #1 - 100
002 - Pumping Station #2	Sewer Plant #2 - 200
003 - Pumping Station #3	
etc.	

The coding for a sewer main purchased with special assessment funds would be:

Proprietary Fund - Asset Account

4 0 1	0 0 2	1 0 0	1 7 7	1 0	0 0
Fund Field	Local Option Field	Local Option Field	Prime and BASUB Field	Element and Subelement Field	Object and Subobject Field
Sewer Utility Fund	Pumping Station # 2	Sewer Plant #1	Other Improvements	Sewer Mains	Not Used

Careful consideration of the government's management and informational needs and data processing capacity will determine the sophistication of the coding system.

Capital Asset Detail Chart of Accounts

The complete chart of capital asset detail accounts follows. Also, the account definitions for each of the main asset categories are included. Complete definitions for all the capital asset detail accounts, including descriptions of peripheral costs related to those assets and examples of the types of assets to include in specific accounts, are available upon request.

Account	Prime and BASUB	Optional Detail Accounts (Element)	Optional Detail Accounts (Subelement)
LAND (NET) 171.		SUBELEMENTS	
Land		171.1	ARE LISTED ON
Easements and Other Rights		171.3	THE LAST PAGE
Depletable Resources		171.5	OF THIS CHAPTER
Accumulated Depletion (Credit)		171.9	
BUILDINGS AND STRUCTURES (NET)	172.		
BUILDINGS AND STRUCTURES (NET)	173.		
Wharves/Docks/Piers		172.1	
Shipping Terminals		172.3	
Warehouses		172.4	
Passenger Stations/Terminals		172.5	
Hangars/Tiedowns		172.6	
Shops/Garages/Engine Houses		172.7	
Other Transportation Facilities, Including Roadway Buildings		172.8	
General Administration Buildings		173.1	
Fire Stations		173.2	
Stadiums/Auditoriums		173.3	
Exhibition Halls/Convention Centers		173.4	
Community/Recreation Centers		173.5	
Libraries		173.6	
Other Buildings and Structures		173.8	
Accumulated Depreciation (Credit)		173.9	
CAPITAL LEASES (NET)	174.		
Capital Leases	174.1		
Accumulated Depreciation (Credit)		174.9	
LEASEHOLD IMPROVEMENTS (NET)	175.		
Leasehold Improvements		175.1	
Accumulated Amortization (Credit)		175.9	
OTHER IMPROVEMENTS (NET)	176.		
OTHER IMPROVEMENTS (NET)	177.		
OTHER IMPROVEMENTS (NET)	178.		
OTHER IMPROVEMENTS (NET)	179.		
Reservoirs/Dams/Waterways		176.1	
Breakwaters/Retaining Walls/Coastal/Riverine Construction		176.2	
Intakes/Gravity Sewers		176.3	
Wells/Springs		176.4	
Infiltration Galleries/Tunnels		176.5	
Utility Towers/Poles		176.6	
Electric Conduit/Conductors/Etc.		176.7	

Account	Prime and BASUB	Optional Detail Accounts (Element)	Optional Detail Accounts (Subelement)
Water/Sewer Mains/Storm Drains		177.1	SUBELEMENTS
Fire Mains/Sewer Outfall/Other Lines		177.2	ARE LISTED ON
Hydrants		177.3	THE LAST PAGE
Service Connections		177.4	OF THIS CHAPTER
Meter Installations		177.5	
Area/Street/Airfield Lighting		177.6	
Storm Drainage, Dikes and Levees		177.7	
Roads		178.1	
Bridges/Trestles		178.2	
Tunnels/Subways		178.3	
Parking Areas		178.4	
Trackage		178.5	
Landing Fields/Runways/Aprons		178.6	
Fuel Handling/Storage Facilities		178.7	
Sidewalks/Paths/Trails		179.1	
Ball Courts/Playing Fields/Golf Courses		179.2	
Swimming Pools/Beaches		179.3	
Other Conservation/Recreation Facilities		179.4	
Cemeteries		179.5	
Other Improvements		179.8	
Accumulated Depreciation (Credit)		179.9	
MACHINERY AND EQUIPMENT	181.		
MACHINERY AND EQUIPMENT	182.		
MACHINERY AND EQUIPMENT	183.		
MACHINERY AND EQUIPMENT	184.		
MACHINERY AND EQUIPMENT	185.		
MACHINERY AND EQUIPMENT	186.		
MACHINERY AND EQUIPMENT	187.		
MACHINERY AND EQUIPMENT	188.		
Steam Engines/Prime Movers		181.1	
Turbogenerators/Other Generators		181.2	
Accessory Generator/Substation Equipment		181.3	
Boiler/Reactor Plant Equipment		181.4	
Compressors/Vacuum Equipment		181.6	
Batteries/Transformers/Regulators		181.7	
Meters/Gauges/Other Testing Devices/ Laboratory Equipment		181.8	
Steam Pumping Equipment		182.1	
Hydraulic Pumping Equipment		182.2	
Electric Pumping Equipment		182.3	
Diesel Pumping Equipment		182.4	
Other Pumps		182.5	
Purification/Filtering Equipment		182.7	
Other Shop/Garage Equipment and Tools		182.8	

Account	Prime and BASUB	Optional Detail Accounts (Element)	Optional Detail Accounts (Subelement)
Locomotives/Aircraft/Boats/Special Terrain Vehicles		183.1	SUBELEMENTS
Vans/Buses/Other Revenue Vehicles		183.2	ARE LISTED ON
Police Special Vehicles		183.3	THE LAST PAGE
Automobiles/Motorcycles		183.4	OF THIS CHAPTER
Rail/Transit Yard/Way Equipment		183.5	
Vehicle Movement/Traffic Control Systems		183.7	
Parking/Pedestrian Movement Equipment		183.8	
Excavation/Loading Trucks		184.1	
Pavement Maintenance Trucks		184.2	
Street Sanitation/Storm Sewer Cleaning Trucks	184.3		
Fire/Rescue Trucks		184.4	
Ambulance/Aid Cars/Vans		184.5	
Field Service/Refuse Compactor/Other Special Purpose Trucks		184.6	
General Purpose Trucks		184.7	
Tractors		185.1	
Excavation and Loading Equipment (Self-Propelled)		185.2	
Grading/Compaction/Paving Equipment (Self-Propelled)		185.3	
Paving/Earthwork Equipment (Not Self-Propelled)		185.4	
Sweepers/Grounds Maintenance/Forestry Equipment		185.5	
Materials Handling/Other Self-Propelled Equipment		185.6	
Trailers/Freight Cars		185.7	
Stores/Materials Handling Equipment (Not Self-Propelled)		185.8	
Office Furniture/Safes/Files		186.3	
Word Processing Equipment		186.4	
Printing/Duplicating Equipment		186.5	
Data Processing Equipment		186.6	
Other Office Machines		186.7	
Radio/Television Transmitters/Receivers		187.1	
Other Communications/Alarm/Dispatch Equipment		187.2	
Audio-Visual Equipment		187.3	
Library/Training Resources/Museum/Art Collections/Zoo Animals		187.4	
Revenue Collection/Other Trade Equipment		187.6	
Restaurant Equipment/Kitchen Appliances		187.8	
Law Enforcement Weapons/Protective Gear		188.1	
Firefighting Tools and Equipment		188.2	
Rescue/Emergency/Medical Equipment		188.3	
Recreation/Playground Equipment		188.6	
Other Machinery/Equipment		188.8	
Accumulated Depreciation (Credit)		188.9	

171.XX LAND (NET OF DEPLETION)

This account includes the cost of land acquired by a governmental unit for its own use. If land is purchased, this account is to include the purchase price and incidental costs incurred to put the land in condition for its intended use, such as legal fees and excavation costs. If land is acquired by gift, the account is to include its fair market value at the time of acquisition. Site improvements (paving, fencing, landscaping, etc.) acquired with the land need not be accounted for separately from the land unless depreciation is required. See the definition of OTHER IMPROVEMENTS. If improvements acquired with the land are removed or wrecked in order to put the land into condition for its intended use, the costs of removal or wrecking must be charged and any salvage credited to this account. Land held for future building sites, as an investment, or in trust, and land acquired through foreclosure and pending resale should be accounted for as OTHER PROPERTY AND INVESTMENTS. Depletable resources acquired with land should be accounted for separately as subaccounts within the land account. Land that is rented under terms that meet the criteria of a capital lease may be separately classified in account 174 or included in this account.

l7l.9X ACCUMULATED DEPLETION (CREDIT)

This account includes the cost of those natural resources which have been removed from the land by harvesting, mining, or physical shrinkage.

l72.XX BUILDINGS AND STRUCTURES (NET)
l73.XX

This account should reflect the cost of freestanding facilities acquired by a governmental unit for its own use. There are two principal categories of buildings and structures: (l) Structures used to house governmental operations and services (this category encompasses most separate buildings); and (2) other freestanding facilities, such as wharves, grain elevators, asphalt plants, and marinas. Outdoor facilities, including infrastructure, that incorporate land as part of their structural support or that are frequently installed underground are classified as OTHER IMPROVEMENTS. Facilities housed within a building are generally classified as EQUIPMENT. Facilities that are rented under terms that meet the criteria of a “capital lease” may be separately classified in account 174 or included in this account.

Lighting, plumbing, heating, floorcovering and other systems and installations may be included in the cost of a building or accounted for as separate components. Even though some systems or installations are accounted for separately and are readily removable from the structure to which they are attached, such components should be accounted for as BUILDINGS if they are integral to the structure, which would be inoperative or incomplete without the system. There are two exceptions: use account l8l.4X for furnaces to produce steam heat and use account l87.4X for communications systems.

l73.9X ACCUMULATED DEPRECIATION (CREDIT)

This account includes the amount of original cost of buildings and structures which has been charged against revenue (or as a use allowance) since the date of acquisition.

174.XX CAPITAL LEASES (NET)

Use this classification for capital assets which a government is renting or leasing when the agreement meets any one of the following criteria:

a. The agreement transfers ownership of the property by the end of the lease term.

b. The agreement allows the municipality an option to purchase the property during or at the end of the lease term at a price that is considerably below the market value of the property at the time of the option.

c. The term of the agreement is at least 75 percent of the estimated useful life of the property.

d. The total payments under the agreement, less interest costs and charges for insurance and maintenance, equal or exceed 90 percent of the market value of the property at the date of the agreement.

Assets acquired through capital leases should be recorded at the lesser of: (a) the fair market value of the leased asset (its "cash" price) or (b) the present value of the minimum lease payments required by the agreement. (See FASB Statement l3 and its amendments for further details).

It is permissible to charge the costs of capital leases directly to land, buildings, etc., account(s) instead of using this account. The same rules for capitalization and valuation apply. If an asset is acquired outright during or at the expiration of the lease, the cost of that asset and related depreciation should be transferred to the appropriate land, building, etc., account(s).

174.9X ACCUMULATED DEPRECIATION (CREDIT)

This account includes the amount of original cost of capital leases which has been charged against revenue (or as a use allowance) since the date of acquisition.

175.XX LEASEHOLD IMPROVEMENTS (NET)

Leasehold improvements are additions to the property made by the lessee. They become the property of the lessor when affixed to the property. If the leasehold improvement has a life longer than the current fiscal year, it is proper for the lessee to spread its cost over its useful life as is the case with any capital asset. Useful life to the lessee cannot be longer than the remaining life of the lease unless the lessee has a right to renew the lease. If the lessee has the right to renew and is likely to do so, then the useful life of the improvement is limited by the renewal terms of the lease. If the lease expires before the physical usefulness is gone, the remaining usefulness belongs to the lessor.

175.9X ACCUMULATED AMORTIZATION (CREDIT)

176.XX through l79.XX OTHER IMPROVEMENTS (NET)

These accounts should include the cost of site improvements that have a limited life (where replacement will be required in the future), such as paving, fencing, water and sewer lines, and landscaping. In proprietary funds, these items are to be segregated from the cost of land and depreciated.

This category includes all capitalized infrastructure and other facilities that incorporate land as part of their structural support or that are permanently installed underground. This category also includes the cost of transmission and distribution lines and related poles, etc., in providing electric and telephone service.

Frequently, assets in this category will consist of an entire facility with many components, such as foundations, superstructures, services, utilities, landscaping, and perimeter fencing. The items included in the definition are intended to suggest other specific kinds of related costs to include. Access and service roads should be accounted for separately (account l78.lX) if their cost is material. Moveable equipment associated with these facilities should be accounted for in the l8X series.

179.9X ACCUMULATED DEPRECIATION (CREDIT)

This account includes the amount of original cost of other improvements which has been charged against revenue (or as a use allowance) since the date of acquisition.

l8l.XX through l88.XX MACHINERY AND EQUIPMENT (NET)

These accounts should reflect the costs of acquiring tangible personal property, including incidental costs such as sales tax, freight, and installation. This category includes office equipment and furniture, motor vehicles, and machine tools. Equipment may be attached to a structure for purposes of securing the item but unless it is permanently attached to or an integral part of the building or structure, it should be classified as equipment and not as buildings.

188.9X ACCUMULATED DEPRECIATION (CREDIT)

This account includes the amount of original cost of machinery and equipment which has been charged against revenue (or as a use allowance) since the date of acquisition.

BARS UNIFORM CHART OF ACCOUNTS
ASSET DETAIL ACCOUNTS

PLANT IN SERVICE	Electric	Gas	Sewer	Garbage & Solid Waste	Water	Water/Sewer/ Garbage (Combined)	Airport	Transit	Railroad	Equipment Rental & Public Works
0								Joint Modal		
1	Steam Production		Collection	Collection	Source of Supply	Water Source of Supply/Storage	Airfields	Rapid Rail	Freight/ Mainline	Revenue Equipment
2	Hydraulic Production	Storage		Transfer Stations	Storage	Sewer Collection	Hangers/ Tiedowns	Light Rail (Streetcar)	Freight/ Switching Yard	Repair/ Maintenance
3	Nuclear/Other Production	Processing	Pumping	Incineration	Pumping	Water Pumping	Terminal	Trolleybus	Freight/Other	Fuel/Parts
4	Transmission	Transmission	Treatment/ Disposal	Resource Recovery	Treatment	Water Treatment	Parking Lots	Motorbus (Fixed Route)	Passenger/Cm. Mainline	Materials Manufacturing
5	Distribution	Distribution		Disposal	Transmission/ Distribution	Water Transmission/ Distribution	Industrial Areas	Ferries	Passenger/Cm. Switch/Other	Fabrication
6	Services	Services	Outfall		Services	Sewer Transmission/ Distribution		Dial-A-Ride	Maintenance	
7	General Plant	General Plant	General Plant	General Plant	General Plant	General Plant	General Plant	School Bus	General Administration	General Administration
8	Other Utilities	Other Utilities	Other Utilities	Other Utilities	Other Utilities	Sewer Pumping	Utilities	Utilities	Utilities	Utilities
9	Nonutility Property	Nonutility Property	Nonutility Property	Nonutility Property	Nonutility Property	Garbage Collection/ Disposal	Nonairport Property	Other		

OPERATING REVENUES - DETAIL ACCOUNTS

Introduction

This chapter has two purposes: first, to explain how to sort and summarize revenues of proprietary funds for financial reporting; and, second, to provide additional detailed subaccounts for the operating revenues of proprietary funds.

All proprietary funds should use the appropriate BARS resource accounts (the 300 series) in the same manner as governmental funds. This chapter does not apply to funds using any of the charts of accounts listed in Section A.

Although proprietary funds use the same coding for revenues and other sources that governmental funds use, the summarization of resources for reporting purposes follows different rules. Governmental funds summarize resources by major source (taxes, licenses, charges for services, etc.). Proprietary funds summarize resources into the following categories:

Operating Revenues
Nonoperating Revenues
Capital Contributions
Special/Extraordinary Items
Transfers

Operating revenues frequently need to be segregated into numerous subaccounts for management and regulatory purposes. Section D explains the use of the remaining digits in the BARS revenue code to accomplish this segregation, and illustrates detailed coding for utilities.

Until the 1985 edition of the BARS manual, the State Auditor's Office prescribed the use of national regulatory charts of accounts for several types of enterprise funds. The BARS now makes provision for all the accounts needed by regulated enterprises, so the use of the regulatory accounts is no longer mandatory; however, a local government may adopt or continue to use any of the following charts of accounts. This chapter does not apply to enterprise funds using any of the following regulatory charts of accounts.

Electric Utilities	Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act published by the Federal Energy Regulatory Commission (FERC) (CFR 18.101 & 18.104) and Uniform System of Account of the Rural Electrification Administration (REA)
Gas Utilities	Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act published by the Federal Energy Regulatory Commission (FERC) (CFR 18.201 & 18.204)
Water Utilities	Uniform System of Accounts for Water Utilities published by the National Association of Regulatory Utility Commissioners (NARUC)
Sewer Utilities	Uniform System of Accounts for Sewer Utilities published by the National Association of Regulation Utility Commissioners (NARUC)
Railroads	Uniform System of Accounts for Railroad Companies published by the Interstate Commerce Commission (ICC) (DFR 49.1201)

OPERATING REVENUES:
- Sales of Merchandise
  - Less: Cost of Goods Sold
- Utility Sales and Service Fees
- Transportation Fares and Charges
- Admissions and Program Fees
- Other Charges for Services
- Rents, Parking and Concessions
- Interest and Dividend Income
- Insurance Premiums and Recoveries
- Trust Contributions
- Other Operating Revenues

TOTAL OPERATING REVENUES

OPERATING EXPENSES:

- Operations:
  - General Operations
  - Power/Water/Gas Purchased for Resale
  - Contracted Processing and Operations
  - Cost of Energy
- Maintenance
- Customer Services and Marketing
- Administration:
  - General Administration
  - Planning, Conservation, Research and Development
- Depreciation/Amortization/Depletion
- Property, Excise and B&O Taxes
- Risk Transfer Payments
- Payments to Claimants and Beneficiaries
- Other Operating Expenses
  - TOTAL OPERATING EXPENSES

OPERATING INCOME (LOSS)

NONOPERATING REVENUES (EXPENSES):

- Operating Assessments and Tax Levies
- External Operating Subsidies
- Revenue from Merchandising, Jobbing and Contract Work
- (Costs of Merchandising, Jobbing and Contract Work)
- Interest Revenue
- (Interest Expense and Related Charges)
- Equity in Income (Loss) of Joint Ventures/Subsidiaries
- Gains (Losses) on Capital Assets Disposition
- Other Nonoperating Revenues
- (Other Nonoperating Expenses)

NONOPERATING REVENUES NET OF EXPENSES

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, ETC.

CAPITAL CONTRIBUTIONS

SPECIAL ITEMS

EXTRAORDINARY ITEMS

TRANSFERS IN (OUT)

INCREASE (DECREASE) IN NET ASSETS (EQUITY)

NET ASSETS, January 1

NET ASSETS, December 31

The statement of revenues, expenses and changes in net assets is designed to summarize results of operations for a wide variety of proprietary funds. There are several main categories on this statement:

Operating Revenues	● Revenues from the major or central (primary) functions of a fund.
Nonoperating Revenues	● Other recurring revenues, those which are peripheral or incidental to the fund's primary functions, including most gains.
Capital Contributions	● Resources provided by private contributors and grantors.
Transfers	● Financial inflows from other funds of the same government.
Special Items	
Extraordinary	

This section discusses some of these categories.

Operating Revenues

What constitutes *Operating Revenues* will be different for each fund, depending on that fund's primary activities, so there is no universal rule about which revenue sources should be classified as operating revenues and which should be classified as nonoperating.

Certain types of revenues are always classified as nonoperating; specifically, taxes, operating subsidies (operating grants), and income from joint operations and subsidiaries. Several other types of revenues are usually nonoperating like interest income, rental income, and gains from the sale of capital assets. There may be exceptions when the primary activity of a fund is making investments, renting equipment or facilities, or managing real estate.

Although there are no clear rules, distinctions are usually easy to make. Because expenses are defined functionally, it is helpful to identify which expenses are "operating" and then to sort revenues by how directly they derive from operating expenses. For instance, the primary activities of a water fund are collecting, treating, and distributing water to its customers; the operating revenues, then, are those revenues which derive from the sale of treated water. Making investments and managing rental properties are peripheral to the water fund's primary activities; therefore, revenues from those activities are nonoperating.

For electric, water and sewer utilities, and railroads, conversion charts are available from the State Auditor's Office that identify the BARS equivalent for each account number established in the regulatory system of accounts. These conversion charts also identify which revenues are operating and which are nonoperating.

Notice that the same BARS code is used regardless of whether a particular revenue source is classified as operating or nonoperating. There are some (rare) instances where one BARS code may include a mixture of operating and nonoperating revenues. In such cases, the transactions which produce operating revenues must be identified by your accounting system, either by subdividing the BARS revenue account number or by coding the transactions to separate control accounts for operating and nonoperating revenues. An example for a utility fund could be rentals, where a water utility leases a system to a neighboring city and also leases land to a Little League. The water system lease revenues are operating revenues, while the Little League lease revenues are nonoperating, yet both are credited to the BARS account 362.50. To distinguish the two leases you may subdivide the account 362.50 into 362.5l and 362.52, or you may provide that the operating lease revenues are recorded using the control account 292.ll and the nonoperating lease revenues use the control account 292.l4. Note that both of these choices are optional; the use of either one, or both, or some other method, will depend on your system capabilities and other local circumstances.

A list of typical operating revenues and their financial statement categories for a variety of proprietary and trust functions is enclosed at the end of this chapter.

Nonoperating Revenues

The distinction between nonoperating revenue and operating revenue depends on the major functions of a particular entity. Some guidelines for making the distinction and detailed schedules of operating revenues for different types of proprietary and trust functions are provided under the heading *Operating Revenues*. The following table shows which BARS accounts are used for each category of nonoperating revenue.

Financial Statement Category	BARS Coding
NONOPERATING REVENUES	
Operating Assessments and Tax Levies	310s
External Operating Subsidies	330s, including 338
Revenue from Merchandising, Jobbing and Contract Work	A variety of accounts may be used for this category (e.g., accounts 341.50, 34l.94, 343.20, 343.90, 344.10, 345.90, 348, 349 and 369). The separation from *Other Nonoperating Revenue* is necessary only if the amounts of revenue from these types of activity are material.
Interest Revenue	361 and 366.10
Equity in Income of Joint Ventures/ Subsidiaries	371
Gains on Capital Assets Disposition	395
Other Nonoperating Revenue (Separately list any material gains or other unusual or infrequent items.)	Use 372-373 for material gains. Include revenues in the 320 and 350 series, which will rarely be used in proprietary funds; also include miscellaneous fees and charges in the 340 series and other miscellaneous revenues in the 360.

Other Categories

Financial Statement Category	BARS Coding
Gains on Discontinued Segments	376
Extraordinary Items	372
Cumulative Effect of Changes in Accounting Principle	378
Capital Contributions	374 (from other governments) 379 (from private sources)

Transfers

This type of transaction amounts to a subsidy from other funds of the same government, and similar transactions between partners of a joint venture or parent/subsidiary enterprises. All such transfers are accounted for in account 397. The Glossary contains a definition of interfund transaction.

As shown, there are various options for recording these transactions, although all of the various methods must result in the same ultimate effect on a 270 or 280 account. The reason for these options is the variety of computer software in local governments, and the differing limitations and capacities of that software. The ideal system would include a subsidiary ledger that lists and summarizes increases and decreases to general ledger accounts in exactly the same way that revenue and expense accounts are handled. The accounts in the 380 series are there for receipting purposes, where a system does not allow recording receipts directly to a general ledger account.

Financial Statement Classification of Operating Revenues

	ELECTRIC AND GAS	WATER	SEWER	GARBAGE	SOLID WASTE
Sales of Merchandise	Nonoperating	Nonoperating	Nonoperating	Nonoperating	See below for sales of junk and resource recovery.
Utility Sale and Service Fees	Use 343.30 for sales of electricity and natural gas (include forfeited discounts, NSF and late charges). Use 349 for interdepartmental sales but use 343.30 for sales to other funds.	Use 343.40 for water sales (include forfeited discounts, NSF and late charges). Use 349 for interdepartmental sales but use 343.40 for sales to other funds.	Use 343.50 for sewer service charges including interfund charges (also include forfeited discounts, NSF and late charges).	Use 343.70 for garbage collection service fees, including interfund charges.	Use 343.70 for dumping and sanitary fill charges, sales of junk, etc.
Transportation Fares/Charges	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Charges For Services	Use 343.40 for sales of water and water power and include with utility sales. Use 343.30 for turn on/off fees.	Use 343.40 for turn on/off fees and temporary services. Use 343.40 also for sales of steam.	Use 343.50 for turn on/off fees and temporary services. Use 342.40 for inspection fees.	Use 343.70 for resource recovery.	Use 343.70 for resource recovery; use 343.40 for energy sales.
Rents, Parking and Concessions	Use 362 for utility plant leased to others. Use 366.20 for interdepart-mental and interfund rents of utility plant. Other rents are nonoperating.	Use 362 for utility plant leased to others. Use 366.20 for interdepart-mental and interfund rents of utility plant. Other rents are nonoperating.	Use 362 for utility plant leased to others. Use 366.20 for interdepart-mental and interfund rents of utility plant. Other rents are nonoperating.	Use 362 for utility plant leased to others. Use 366.20 for interdepart-mental and interfund rents of utility plant. Other rents are nonoperating.	Use 362 for utility plant leased to others. Use 366.20 for interdepart-mental and interfund rents of utility plant. Other rents are nonoperating.
Interest and Dividend Income	Nonoperating (Note that late charges are included with utility sales.)	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Insurance Premiums/Recoveries	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Operating Revenues		Use 362.90 for commissions on water sales. Use 369.40 for cost recoveries on unauthorized uses.	Use 369.40 for cost recoveries on unauthorized uses.		

Financial Statement Classification of Operating Revenues

	AMBULANCE	AIRPORT	TRANSIT	RAILROAD	PARKING
Sales of Merchandise	Use 341.70 for sales of medical supplies.	Use 344.50 for fuel sales.	Nonoperating	Nonoperating	Use 344.50 for fuel sales. Use 348.50 if interfund sales.
Utility Sales and Service Fees	Nonoperating	Use 343 for utility charges to renters and concessionaires.	Nonoperating	Nonoperating	Nonoperating
Transportation Fares/Charges	Use 342.60 for ambulance and emergency fees.	Use 344.60 for tariffs and fares.	Use 344.70 for tariffs and fares.	Use 344.70 for tariffs and fares.	Nonoperating
Other Charges For Services	See 911 Dispatch for those types of charges.	Use 344.90 for other transportation services.			
Rents, Parking and Concessions	Nonoperating	Use 362 for hangar rentals and parking. Use 362.80 for concessions.	Use 362 for parking and equipment rentals. Use 362.80 for concessions.	Use 362 for equipment and facility rentals. Use 362.80 for concessions.	Use 362.30 for short-term parking. Use 362.50 for long-term parking. Use 362.80 for concessions.
Interest and Dividend Income	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Insurance Premiums/Recoveries	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Operating Revenues		Use 362.90 for rentals of advertising space.	Use 362.90 for rentals of advertising space.		Use 362.90 for impound fees.

Financial Statement Classification of Operating Revenues

	911 DISPATCH	PROPERTY MANAGEMENT	RISK MANAGEMENT (SELF-INSURANCE)	PENSIONS	EMPLOYEE-RELATED INSURANCE AND BENEFIT PROGRAMS
Sales of Merchandise	Nonoperating	Use 395 for sales of property.	Nonoperating	Nonoperating	Nonoperating
Utility Sales and Service Fees	See below for communication charges.	Use 343 for utility sales and services. Use 348.90 if interfund.	Nonoperating	Nonoperating	Nonoperating
Transportation Fares/Charges	See AMBULANCE example for these types of charges.	See TRANSIT example for these types of charges.	Nonoperating	Nonoperating	Nonoperating
Other Charges For Services	Use 342.80 for communication charges (including false alarms). Use 348.10 if interfund.	Use 341.92 for property management fees, including relocation service fees. Use 348.92 if interfund. Use 362.90 for sales commissions and auctioneering fees. Use 365.90 if interfund.	Use 348.91 for interfund risk management service fees. Use 341.47 if external. See next two columns for employee-insured risks.	Use 348.97 for interfund pension management fees. Use 341.97 if external.	Use 348.97 for interfund management fees. Use 341.97 if external. Use 346.90 for employee's share of medical claims.
Rents, Parking and Concessions	Use 362.20 for leases of communication system. Other rents are nonoperating. Use 365.20 if interfund.	Use 362 for property rentals and concessions. Use 365 if interfund.	Nonoperating	Use 362 for rents of investment property.	Nonoperating
Interest and Dividend Income	Nonoperating	Interest on sales contracts may be treated as operating revenue (361 or 366).	Use 361 for interest on invested premiums.	Use 361 for interest, dividends and gains on investments.	Use 361 for interest on invested premiums.
Insurance Premiums/Recoveries	Nonoperating	See next column for these types of charges.	Use 365.80 for interfund insurance premiums. Use 363 for external premiums. Use 363 and 395 for recoveries.	Use 366.50 and 369.50-.70 for pension trust contributions.	Use 365.80 for interfund insurance premiums. Use 366.50 for employer contributions. Use 363 for external premiums and 369.50-.70 for external trust contributions. Use 363 for recoveries.
Other Operating Revenues					

Financial Statement Classification of Operating Revenues

	PRINTING AND DUPLICATION	PURCHASING AND CENTRAL STORES	WORD PROCESSING	DATA PROCESSING	CENTRAL COMMUNICATIONS
Sales of Merchandise	Use 341.50 for sales of publications. Use 348.70 if interfund.	Use 341.70 for external sales. Use 348.70 if interfund.	Nonoperating	Nonoperating	Nonoperating
Utility Sales and Service Fees	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Transportation Fares/Charges	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Charges For Services	Use 341.60. Use 348.60 if interfund.	Use 341.94. Use 348.94 if interfund.	Use 341.60. Use 348.60 if interfund.	Use 341.80. Use 348.80 if interfund.	Use 342.80. Use 348.10 if interfund.
Rents, Parking and Concessions	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Interest and Dividend Income	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Insurance Premiums/Recoveries	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Operating Revenues					

Financial Statement Classification of Operating Revenues

	EQUIPMENT RENTAL AND MOTOR POOL	EQUIPMENT PARTS AND REPAIRS	PITS/QUARRIES/ ASPHALT PLANTS	BUILDING MAINTENANCE AND SECURITY	FABRICATION SHOP
Sales of Merchandise	Use 344.50. Use 348.50 for interfund fuel sales.	Use 344.40. Use 348.40 if interfund.	Use 344.20. Use 348.20 for interfund sale of road materials.	Nonoperating	Use 341.70. Use 348.70 if interfund.
Utility Sales and Service Fees	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Transportation Fares/Charges	Use 344.30. Use 348.30 for interfund equipment repair charges.	Use 344.30. Use 348.30 for interfund equipment repair charges.	Nonoperating	Nonoperating	Nonoperating
Other Charges For Services	See next column for sales of parts.	See previous column for fuel and equipment rental.		Use 341.93. Use 348.90 for other interfund charges.	
Rents, Parking and Concessions	Use 362 for rents and parking (including employees). Use 365 if interfund.	Nonoperating	Use 362 or 365 if facility is rented for production of rock or asphalt. Other rents are nonoperating.	Nonoperating	Nonoperating
Interest and Dividend Income	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Insurance Premiums/Recoveries	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Operating Revenues					

Financial Statement Classification of Operating Revenues

	CAFETERIA	STADIUM	GOLF COURSE	CONVENTION CENTER	CAMPGROUND
Sales of Merchandise	Use 341.70 for sales of food.	Use 341.70 for sales of merchandise.	Use 341.70 for sales of merchandise.	Nonoperating	Use 341.70 for sales of merchandise.
Utility Sales and Service Fees	Nonoperating	Use 343 for utility charges to renters and concessionaires.	Nonoperating	Use 343 for utility charges to renters and concessionaires.	Use 343 for water, electric, sewer hookup fees if separated from camping fees.
Transportation Fares/Charges	Nonoperating	Use 344.70 for shuttle service.	Nonoperating	Use 341.70 for shuttle service and other transportation fares.	Nonoperating
Other Charges For Services		Use 347.40 for event admission fees. Use 347.90 for other fees and charges.	Use 347.30 for green fees. Use 347.60 for golf lessons.	Use 347.40 for event admission. Use 347.90 for vendor display charges and conference fees.	Use 362.40 for camping fees.
Rents, Parking and Concessions	Use 362.80 for concessions.	Use 362.30 for parking. Use 362.50 for facility leases. Use 362.80 for concessions.	Use 362.80 for concessions.	Use 362.30 for parking. Use 362.50 for facility leases. Use 362.80 for concessions.	Use 362.80 for concessions.
Interest and Dividend Income	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Insurance Premiums/Recoveries	Nonoperating	Nonoperating	Nonoperating	Nonoperating	Nonoperating
Other Operating Revenues					

What detail do you need?

The BARS provides accounts to summarize operating revenues. In order to maintain accountability, it is necessary to have a listing of how much each customer of the proprietary fund owes. For this purpose, proprietary funds normally maintain a subsidiary ledger of customer accounts receivable. This subsidiary ledger is summarized in the general ledger as one or more types of accounts receivable. The entry which records the general ledger receivable is typically used also to record all operating revenues so that increases to the various accounts receivable provide the supporting detail for revenues (or at least for credit sales). Frequently, cash sales and unusual transactions are not processed through the routine billing system, but they are posted to the revenue accounts separately, making them easy to identify.

Accordingly, the audit trail to support or document the BARS *Operating Revenues* accounts consists of the following:

1. A summary posting of the increases to customer accounts receivable;

2. A similar summary posting for frequent cash sales; and

3. Posting or individual transactions which are unusual or infrequent.

In small utilities and other proprietary funds, there is little need for any additional accounting. However, large or complex operations will require operating revenue detail that analyzes or breaks down the BARS account into a number of subaccounts.

In some instances, regulatory agencies require detailed revenue schedules that are easier to prepare if subaccounts are used; for example, the Federal Energy Regulatory Commission (FERC) imposes this kind of requirement on electric utilities that purchase power from the Bonneville Power Administration (BPA).

More generally, it is common to establish different rates for certain types of customers, based on the quantity of service provided or on some special characteristic or requirement. When different rates are applied, a summary of the total revenues for each rate category is often wanted for several purposes:

1. Analyzing and evaluating revenue patterns and fluctuations in demand;

2. Projecting future needs;

3. Monitoring collections for each type of customer;

4. Estimating unbilled receivables and uncollectibles; and

5. Making rate studies, including the determination of whether particular rates are justified by or inadequate to cover related costs.

Finally, a BARS revenue code may include charges for several types of merchandise or services, and local management may need to distinguish between these types. For merchandise, inventory accounts are used and subsidiary customer ledgers often do not contain this information, although the individual invoices list what the charges were for.

Fields for detail revenue coding

The prescribed coding for revenues in the BARS uses the Basub and element digits, except in the 330 series where grant source coding uses all seven digits. For operating revenues, which are usually in the 340 and 360 series, there are three additional digits available in the BARS for detail coding: the subelement, object, and subobject digits. The diagram of the BARS shown below illustrates the available digits.

P L L	L L L	L L L	P P P	P A	A A
Fund Field	Local Option Field	Local Option Field	Prime and BASUB Field	Element and Subelement Field	Object and Subobject Field

_____/ _____/

Organizational Numbers Account Numbers

A = Available for operating revenue detail coding.
P = Specific coding is prescribed in BARS.
L = The fields are established in the BARS, but specific numbers are assigned by each local government.

An all-purpose revenue detail code for utilities

On the following page is a table of suggested revenue detail codes that includes the detail required by all of the major regulatory charts of accounts for utilities (electric, natural gas, water and sewer). It also includes detail accounts for solid waste and garbage utilities. For municipalities with small utilities or with combined water/sewer or water/sewer/garbage, this detail is likely to be sufficient for management and reporting needs. Of course, the coding is merely suggested and may be adapted to local requirements. The next paragraph presents methods for more elaborate coding structures for individual proprietary funds.

REVENUE CODING FOR UTILITIES

10 Flat Rate Utility Services

- 11 Residential
- 12 Commercial
- 13 Industrial
- 14 Irrigation
- 18 Forfeited Discounts and Late Charges
- 19 Other Flat Rate

20 Metered Utility Services

- 21 Residential
- 22 Commercial
- 23 Industrial
- 24 Irrigation
- 28 Forfeited Discounts and Late Charges
- 29 Other Metered

30 Disposal Site Charges

- 31 Individuals
- 32 Franchise Collectors
- 39 Other Disposal Site Charges

40 Public Authorities

- 41 Street Lights, Signal and Alarm Systems
- 42 Fire Protection Service
- 43 Railroads and Railways
- 44 Municipal Disposal Collectors
- 48 Forfeited Discounts and Late Charges
- 49 Other Charges to Public Authorities

50 Sales for Resale

60 Processing for Other Utilities

70 Resource Recovery

- 71 Sales of Sludge
- 72 Recycled Materials, Salvage and Reuse
- 73 Energy Conversion
- 74 Sales of Water from Electric Generation Sites
- 79 Other Resource Recovery

90 Other Fees and Charges

- 92 Special Container Services
- 99 Other Fees and Charges

How to construct your own revenue detail code

The detail revenue coding answers the following questions:

	Categories	Rate Basis
✓	Who bought the item or service? (private residential customer, federal grantor, etc.)	Types of customers
✓	How did they purchase it? (wholesale, metered, monthly rent)	Types of billing arrangements
✓	What did they buy? (treated water, vehicle rent, garbage collection)	Types of goods and services, including identification of particular item or facility rented

1. Begin your detail coding by listing your categories within each "type": What kinds of customers do you need to distinguish? What kinds of goods and services do you sell? What are the items in your rate structure or fee schedule?

2. Frequently the rate structure is nearly the same as a list of the goods and services you sell; i.e., you have one price for each kind of item, as in central stores. Sometimes prices are set mostly by types of customers, as in utilities (residential, commercial, industrial; all electric, lights and water heater, lights only). Where there is only one major basis for rate setting, building a revenue detail code is simply a mater of outlining the major categories (of goods, services, customers, etc.) and using a second digit for the subcategories. The all-purpose detail coding discussed on the previous page illustrates this kind of structure.

3. When you have several types of customers and several types of billings or rates, look at the overlap. For example, a water utility has, at most, two primary kinds of goods for sale - treated water and untreated water; but there are several types of customers - residential, commercial, industrial, agricultural (irrigation), fire districts, other utilities, etc. Most of the rates are based on the customer types. However, rates are also distinguished by whether the water service is metered or unmetered and whether the service can be interrupted. In addition, there are sometimes separate charges for turn-on/off and for late payments of water bills.

4. When you have more than one rate basis, it is helpful to build a matrix or spread sheet for sorting and matching these types. It is easiest to start with the two longest lists of types. Continuing with the water example, we've listed the types of customers vertically and the remaining billing rates horizontally on the following page. (Always leave a row and a column for *Other* even if you cannot think of any, so there is room in the coding structure to accommodate a "new" type.)

WATER OPERATING REVENUE DETAIL

	Rate Structure						
Customer Type	**Unmetered**	**Metered**	**Contracted**	**Wholesale**	**Late Charges and Forfeited Discounts**	**Turn-On/ Off Fees**	**Other**
Residential	x	x			x	x	
Commercial	x	x			x	x	
Industrial		x	x	x	x	x	
Agricultural (Irrigation)			x	x	x	x	
Other Utilities (Sales for Resale)				x			
Fire Districts			x				
Other Public Authorities	x	x					
Other							

The **x** indicates where a separate rate exists. Note that there is only one rate for some customer types; this first cut at a coding structure is wasting rows in those areas, while we still need to distinguish sales of untreated water from treated water and show the rate break for those customers willing to accept interrupted service.

5. To decide now to make these additional distinctions, we need to determine how many kinds of customers are sold untreated water or interrupted service and how many different rates apply. In this example, four kinds of customers buy untreated water - industrial, agricultural and other utilities (always at wholesale) and fire districts (at a contract rate). It is obvious we need to add one column. In the example, we simply created one for *Untreated*. You could also subdivide *Wholesale* into *Treated* and *Untreated* and put sales of untreated water to fire districts into the *Other* column. In our example, interruptible service is sold primarily to industrial customers, using several different rate structures. There are also some commercial metered customers with interruptible service - we used *Other* for these. The table on the following page shows the final coding structure.

6. If there is a third digit available for detail revenue coding, do not use it until major categories are defined - otherwise you will lose the ability to summarize easily by a single digit.

7. If you run out of room, remember the *Other* series - you can assign each of those a distinct meaning and leave the *Other/Other* (9/9 in this illustration) to catch any minor leftovers. At this point, remember that you always have the individual accounts themselves available for analysis. You probably do not need a separate summary account for everything.

8. To finish the coding process, we need to assign digits to these rates. We numbered the columns and rows 1 through 9, and then chose to make our primary summary by customer type, as shown in the table on the following page.

WATER OPERATING REVENUE (FINAL CODING)

	Rate Structure								
Customer Type	**Unmetered**	**Metered**	**Contracted**	**Wholesale**	**Untreated Water**	**Late Charges and Forfeited Discounts**	**Turn-On/Off Fees**	**Other**	
Residential	x	x				x	x	x	1
Commercial	x	x				x	x	x (Interruptible)	2
Industrial		x	x	x	x	x	x	x	3
Industrial/Interruptible		x	x	x	x	x		x	4
Agricultural/Irrigation			x		x	x	x	x	5
Other Utilities (Sales for Resale)				x	x				6
Other Public Authorities	x	x	x (Fire Districts)		x (Fire Districts)			x	7
Other									9
	1	2	3	4	5	7	8	9	

WATER SALES REVENUE DETAIL CODES

10 Residential Customers

- 11 Unmetered
- 12 Metered
- 17 Late Charges and Forfeited Discounts
- 18 Turn-On/Off Fees
- 19 Other

20 Commercial Customers

- 21 Unmetered
- 22 Metered
- 27 Late Charges and Forfeited Discounts
- 28 Turn-On/Off Fees
- 29 Other (Interruptible Service)

30 Industrial Customers - Regular

- 32 Metered
- 33 Contracts
- 34 Wholesale - Treated
- 35 Wholesale - Untreated
- 37 Late Charges and Forfeited Discounts
- 38 Turn-On/Off Fees
- 39 Other

40 Industrial Customers - Interruptible Service

- 42 Metered
- 43 Contracts
- 44 Wholesale - Treated
- 45 Wholesale - Untreated
- 47 Late Charges and Forfeited Discounts
- 49 Other

50 Agricultural (Irrigation) Customers

- 53 Contracts
- 55 Wholesale - Untreated
- 57 Late Charges and Forfeited Discounts
- 58 Turn-On/Off Fees
- 59 Other

60 Sales For Resale

- 64 Treated
- 65 Untreated

70 Other Public Authorities

- 71 Unmetered
- 72 Metered
- 73 Fire District Contracts - Treated
- 75 Fire District Contracts - Untreated
- 79 Other

90 Other

OPERATING EXPENSES - DETAIL ACCOUNTS

Introduction

This chapter must be read in conjunction with the preceding one on operating revenues. Like that chapter, it has two purposes: first, to explain how to sort and summarize expenses of proprietary funds for financial reporting purposes; and, second, to provide additional detailed subaccounts for the operating expenses of proprietary funds.

Chapter 6, Section A contains a list of the regulatory charts of accounts which may optionally be used instead of the BARS for certain enterprise funds (electric, natural gas, water, sewer, and railroads). This chapter does not apply to enterprises using one of those regulatory charts of accounts. Nor does this chapter apply to small utilities and other proprietary and trust operations which are not accounted for on the full-accrual basis. Those funds should follow the accounting procedures prescribed for governmental funds. The Glossary contains an explanation of full-accrual accounting under *Flow of Economic Resources Measurement Focus* and *Expenses*. Also see the contrasting definitions of *Flow of Current Financial Resources Measurement Focus* and *Expenditures*.

The classification of expenses and other uses of resources in proprietary funds is discussed in detail in Section B. Unlike revenues, the operating expenses of any one proprietary fund are limited to a few Basubs, and the accounts within those Basubs are specifically designed to accommodate full-accrual accounting. Both governmental and proprietary funds summarize expenditures/expenses primarily by function and activity, so that the sorting problems that exist for operating revenues are not paralleled on the expense side.

Many proprietary funds use complex classifications of expenses to measure the costs of various activities, modes of operation, and tasks. While the BARS 500 series of accounts can provide for some of this detail, account users with many requirements for expense subclasses will want to use the 600 series of accounts for operating expenses instead of the 500 series in order to make room for additional coding. Chapter 7, Section C illustrates the use of the 600 series of accounts to accommodate the detail contained in the NARUC *Uniform System of Accounts for Water Utilities*.

Please note that details illustrated by the 600 series of accounts are optional, except for hospitals and for those electric utilities which are funded by the Rural Electrification Administration (REA) or licensed by the Federal Energy Regulatory Commission (FERC). Crosswalks of the BARS accounts to REA/FERC accounts are available, and the use of the 600 BARS accounts for electric utilities provides the detail required by these regulatory agencies.

OPERATING REVENUES:
- Sales of Merchandise
  - Less: Cost of Goods Sold
- Utility Sales and Service Fees
- Transportation Fares and Charges
- Admissions and Program Fees
- Other Charges for Services
- Rents, Parking and Concessions
- Interest and Dividend Income
- Insurance Premiums and Recoveries
- Trust Contributions
- Other Operating Revenues

TOTAL OPERATING REVENUES

OPERATING EXPENSES:

- Operations:
  - General Operations
  - Power/Water/Gas Purchased for Resale
  - Contracted Processing and Operations
  - Cost of Energy
- Maintenance
- Customer Services and Marketing
- Administration:
  - General Administration
  - Planning, Conservation, Research and Development
- Depreciation/Amortization/Depletion
- Property, Excise and B&O Taxes
- Risk Transfer Payments
- Payments to Claimants and Beneficiaries
- Other Operating Expenses

TOTAL OPERATING EXPENSES

OPERATING INCOME (LOSS)

NONOPERATING REVENUES (EXPENSES):

- Operating Assessments and Tax Levies
- External Operating Subsidies
- Revenue from Merchandising, Jobbing and Contract Work
- (Costs of Merchandising, Jobbing and Contract Work)
- Interest Revenue
- (Interest Expense and Related Charges)
- Equity in Income (Loss) of Joint Ventures/Subsidiaries
- Gains (Losses) on Capital Assets Disposition
- Other Nonoperating Revenues
- (Other Nonoperating Expenses)

NONOPERATING REVENUES NET OF EXPENSES

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, ETC.

CAPITAL CONTRIBUTIONS

SPECIAL ITEMS

EXTRAORDINARY ITEMS

TRANSFERS IN (OUT)

INCREASE (DECREASE) IN NET ASSETS (EQUITY)
NET ASSETS, January 1

NET ASSETS, December 31

The statement discussed in Chapter 6 is repeated in Section A. There are several main categories involving expenses or other uses of fund resources:

Operating Expenses	● The regular costs necessary to perform the major or central functions of the fund.
Nonoperating Expenses	● Other recurring expenses, those which are peripheral or incidental to the fund's primary functions, including most losses.
Transfers	● Financial outflows to other funds of the same government (such transactions are rare in proprietary funds).
Special Items	
Extraordinary Items	
Capital Contributions	

The following table shows which accounts in the BARS are used for some of these categories:

Financial Statement Category	BARS Coding
Transfers (out)	597
Losses from Operations or Disposal of Discontinued Segments	376
Extraordinary Losses	372
Cumulative Effect of Changes in Accounting Principles	378
NET INCREASE (DECREASE)	(Control accounts 292.10-.40)

Most of these accounts directly parallel similar accounts on the resource side, and some (the 370 series) are the same, used for both debit and credit entries. Refer to Chapter 6, Section C for references to further discussion of these categories of expenses and uses.

Nonoperating Expenses

This category includes the normal expenses of a proprietary fund that do not relate directly to the accomplishment of its major objectives. The following table shows which BARS accounts are used for each category of nonoperating expense:

Financial Statement Category	BARS Coding
Costs of Merchandising, Jobbing and Contract Work	See the series of accounts at 519, and 548, and also 532, 542, 558, etc. Be careful not to include in this category those expenses which are incurred in performing the primary functions of the fund. Some of the same Basubs may account for operating expenses in a different fund.
Interest Expense and Other Debt Service Costs	592
Equity in Losses of Joint Ventures and Subsidiaries	371
Losses on Disposition of Capital Assets	395
Other Nonoperating Expenses	Use 372 for material losses and other unusual items. In addition, the entire 5ll-579 series may be used; 5l9.90 is available for immaterial amounts that are difficult to classify.

Operating Expenses: Functions

Functions are the major purposes of a fund or department. They represent what is being accomplished by an expense. In the BARS, functions are classified at the Basub or element level; they identify the responsibilities of the government and the types of services it provides. Most proprietary funds perform one or a very few functions (such as providing water service, data processing, risk management, etc.).

Below is an alphabetical (not all inclusive) list of approximately 50 functions that local governments in Washington State account for in a proprietary funds. Some functions are listed under several captions to make them easier to find. The list indicates the Basub and element assigned to that function in the BARS. A proprietary fund (especially an internal service fund) may perform more than one of these functions; in such cases, use all of the Basubs and elements necessary to classify the expenses of the fund properly.

BARS Account	Proprietary/Trust Function
546.00	Airport
526.00	Ambulance
576.90	Aquarium
532.00	Architectural Services
548.20	Asphalt Plant
575.20	Auditorium
576.40	Ball Courts
518.70	Bindery
547.00	Buses
519.10	Cafeteria
576.30	Campground
519.30	Carpentry Shop
536.00	Cemetery
528.00	Central Communications
519.50	Central Stores
561.00	Clinic
538.10	Combined Water/Sewer
538.10	Combined Water/Sewer/Garbage
528.00	Communications System
518.80	Computer Center
575.40	Conference Center
561.00	Convalescent Center
575.40	Convention Center
518.70	Copy Center
518.80	Data Processing
517.60	Disability Insurance
528.00	Dispatch Services
537.00	Disposal Site
542.40	Drainage Utility
537.00	Dump Site
533.00	Electric Utility
526.00	Emergency Medical Services
517.30	Employee Health Insurance
532.00	Engineering Services
548.60	Equipment Rental
519.30	Fabrication Shop
575.40	Fair
542.80	Ferries
517.20	Firemen's Pension Fund
519.10	Food Services
548.50	Fuel Depot
538.10	Garbage/Water Utility (Combined)
537.00	Garbage Utility
533.00	Gas Utility
548.50	Gasoline Pumps
576.60	Golf Course
548.20	Gravel Pits
517.30	Health Insurance
561.00	Hospital
559.00	Housing Rental
517.60	Insurance, Disability
517.30	Insurance, Health
514.70	Insurance, Property/Liability

BARS Account	Proprietary/Trust Function
517.70	Insurance, Unemployment
517.60	Land Disability Insurance
572.00	Library
548.30	Maintenance Shop
575.70	Marina
548.30	Mechanical Shop
526.00	Medic I
548.70	Motor Pool
533.00	Natural Gas Utility
528.00	911/Dispatch
561.00	Nursing Home
542.65	Parking, Non-Transit
547.00	Parking, Transit
548.40	Parts Stores
517.20	Pension Systems
548.20	Pits and Quarries
517.20	Police Pension Fund
546.00	Ports
518.70	Print Shop
518.20	Property Management
559.00	Public Housing
547.00	Public Transport. System
519.50	Purchasing/Central Stores
518.40	Purchasing Services
548.20	Quarries
576.40	Racquetball Courts
547.00	Railroad
518.20	Real Estate Management
537.00	Refuse Collection
548.30	Repair Shop
514.70	Risk Management
548.20	Rock Quarries
514.70	Self-Insurance
538.10	Sewer/Water Utility (Combined)
535.00	Sewer Utility
519.30	Sign Shop
537.00	Solid Waste Utility
575.20	Stadium
519.50	Stores, Central
548.40	Stores, Equipment Parts
542.40	Storm Drainage Utility
576.20	Swimming Pool
528.00	Telephone System
576.40	Tennis Courts
547.00	Transit System
517.70	Unemployment Insurance
548.70	Vehicle Rental
534.00	Water Utility
538.10	Water/Sewer Combined
538.10	Water/Sewer/Garbage Combined
518.60	Word Processing
517.60	Workers' Compensation
576.90	Zoo

Operating Expenses: Activities

Activities identify how an expense relates to a function or purpose. For example, did an expense contribute toward producing water, treating sewage, or running a bus line (Operations)? Did it keep pumps in repair or restore an engine to service (Maintenance)? Or was the expense incurred for policy setting and overseeing the accomplishment of the fund's objectives (Administration)? Defined narrowly, activities are the lines of work required to accomplish a purpose or perform a function. However, there are several types of disbursements and cost allocations which are so material that they are reported separately from the lines of work, even at the summary level of financial statements. In the BARS, these types of disbursements and cost allocations, such as cost of goods sold, depreciation expense, and claims payments, are also called activities.

Every proprietary fund uses one of the two sets of activity classifications shown below:

Activity Coding of Proprietary Fund Expenses

Element/ Subelement	Proprietary Funds	Insurance Funds
1	General Administration	General Administration
2	Other Administration (Planning/ Research/Conservation)	(Used for segregating types of claims payments in some fiduciary funds)
3	Depreciation/Amortization/Depletion	Depreciation/Amortization
4	Staff Training	Staff Training
5	Maintenance	Maintenance
6	Contracted Processing and Operations	Risk Transfer Payments
7	Customer Services and Marketing	Claims Processing and Trust Services
8	General Operations, including Cost of Goods Manufactured	Claims Payments
9	Other Operating Expenses, including Cost of Goods Sold	Other Operating Expenses

These activity categories correspond directly to items listed on the operating statement as *Operating Expenses*. The reason they are out of sequence for operating statement presentation is that the meanings assigned to the digits l, 4 and 5 have been kept consistent with the element coding throughout the remainder of the 500 accounts in the BARS.

Because of the variety of functions that can be accounted for in proprietary funds, there is necessarily some variation in the specific meanings attached to these activity codes. Some of these differences are indicated in the chart of accounts by the use of variant titles for the activities; in other cases, several of these activity codes are omitted to indicate that the amounts are probably insignificant and therefore do not require separation. You may use all of these activity codes with any proprietary or trust function and you may omit some of those listed in the chart of accounts where the costs that would be segregated are immaterial.

In general, the following descriptions apply to these categories:

GENERAL ADMINISTRATION - Activities of a general nature, not associated directly with a specific service function. In most instances, this category will include the salary of the department head and his/her immediate staff. Also include the costs of advisory boards and commissions.

OTHER ADMINISTRATION - This segregation of administrative costs is provided for situations where management needs to identify separately certain administrative activities, such as planning, research and development, and conservation. These costs may fluctuate more than general administrative costs or they may be separately budgeted. For example, costs of developing a comprehensive plan for a utility or parks department could be segregated by using this element.

DEPRECIATION/AMORTIZATION/DEPLETION - The allocation of capital outlays to the accounting periods which benefit from their use. These concepts are defined in the Glossary. Accounting for depreciation is explained in Part 3, Chapter 7.

STAFF TRAINING - In many proprietary funds, this category is not material and need not be segregated from other administrative costs. In some activities, however, such as emergency medical services and data processing, training costs can be a significant cost of operations. In such cases, this category can be reported separately or included in general operations.

MAINTENANCE - Ordinary repair and upkeep of land, buildings, and equipment. The use of element 50 is somewhat different from its use in governmental funds in that rent expenses are not included in this category in proprietary funds; instead, rent expenses are charged to administration or operations as appropriate.

CONTRACTED PROCESSING AND OPERATIONS - This category is used for situations in which a proprietary fund contracts out a major portion of its activities. Examples include payments to another city which operates a treatment plant your city uses instead of constructing its own, payments to a private company for setting up and crushing rock in your quarry, costs to a print shop for specialized printing or binding, or costs to a data processing center which uses outside professionals to maintain and modify its computer programs. This category is not intended for consultant contracts or minor amounts of professional services.

CUSTOMER SERVICES AND MARKETING - This category is used for the meter reading, billing and collection tasks, including bad debt expense. It is also used for advertising costs and customer information activities.

GENERAL OPERATIONS - This category is used to account for the major service or production activity in most proprietary funds. In cost accounting terms, include direct materials, direct labor, and overhead in this category. For merchandising functions such as central stores and fuel depots, it will be easier to prepare operating statements if you use this category for costs of warehousing and delivery, and use the category *Other Operating Expenses* for the cost of goods sold.

OTHER OPERATING EXPENSES - This category is provided to permit segregation of any other type of costs that is material to a proprietary fund but not provided for in the other eight categories. It should not be used for miscellaneous expenses; if such expenses are truly miscellaneous, they should be classified as nonoperating; if they are operating expenses, they should be classified as administration, maintenance, or operations.

RISK TRANSFER PAYMENTS - This category is used for insurance premiums paid by a self-insurance fund to cover some portion of the risks that the fund is established to account for.

CLAIMS PROCESSING AND TRUST SERVICES - This category is parallel to the customer services category. Many trust and insurance funds will elect to include all of these expenses in administration. However, where these expenses are material, this segregation is recommended. Note that contractual arrangements for claims adjustment or trust management are also included in this category.

CLAIMS PAYMENTS - This category includes pension and disability payments, payments to other funds for losses that are self-insured, and payments for court judgments and out-of-court settlements.

Note that some items listed on the operating statement as within *Operating Expenses* do not have a separate activity digit. That is because each of those items has a unique object code within one or more activities. Those items are defined below:

POWER/WATER/GAS PURCHASED FOR RESALE - The subobject 33 has been established exclusively for these purchases; account for them within activity digit 8, *General Operations*. These purchases are the utility equivalent to "cost of goods sold," but power/gas/water bought and then sold is usually not separated from power/gas/water produced and then sold. For this reason, the computation of gross profit on these transactions is not displayed on the operating statement. (There is nothing objectionable to displaying it if you can separate the sales of purchased services from sales of services produced by your own utility.)

COST OF ENERGY - What is being segregated here is the large dollar cost of power and fuel required to perform a proprietary function; for example, the cost of coal or nuclear fuel for generating electricity, the cost of electricity for pumping and treating water or sewage, the cost of diesel fuel to run a transit system. The only energy costs to include here are those charged to operations (normally activity 8); do not include energy costs associated with maintenance, administration or customer services. This caption on the operating statement should include the total expenses charged to operation for either of two objects (subobject 32, fuel consumed, and subobject 47, utility services), depending on the kind of function and its energy source(s).

PROPERTY, EXCISE AND B&O TAXES - Two subobjects have been established to segregate these expenses; subobject 53 for external taxes and subobject 54 for interfund taxes. As the title indicates, these are taxes on the utility's assets, sales, or income, not on its payroll or expenses. Do not include sales or use taxes paid on utility purchases or the employer's share of FICA, unemployment, workers' compensation, L&I, etc. Those taxes should be accounted for as part of the cost of the good or service that was purchased.

The use of these activity classifications completes the coding required by the BARS. Additional expense detail may be needed for regulatory reporting or for internal management purposes. Section C discusses how to adapt the BARS to meet these additional needs.

What Detail Do You Need?

The BARS provides an account at the Basub or element level to summarize the operating expenses of each proprietary or trust function. As explained in the previous chapter, these functional accounts are divided into a set of activities for financial reporting purposes. Accounting by function, activity, and object satisfies the requirements of the BARS, and it will frequently serve the needs of managers as well.

In small utilities and other proprietary funds, there is little need for any additional accounting. However, large or complex operations require additional operating expense detail that analyzes and/or restructures the BARS accounting for managerial or regulatory reporting.

In some instances, regulatory agencies require detailed operating expense schedules; for example, the Federal Energy Regulatory Commission (FERC) and the Rural Electrification Administration (REA) impose these kinds of requirements on most electric utilities.

More generally, it is common to account by "mode" and "task" as well as by "function," "activity" and "object" in order to measure the costs of operating and maintaining specific facilities, programs, or production phases, particularly for rate studies. Expense detail is also used to analyze and evaluate changes in cost patterns and to estimate future expenses.

In the following paragraphs, these two additional classifications of expenses (modes and tasks) are presented along with methods of expanding the BARS to accommodate them. It is important to evaluate your need for these details before you adopt this additional coding. All account classifications involve compromises between the need for more information and the burden and increased coding error associated with more elaborate coding structures; this is particularly true of expense classification.

Suggested Modal Classifications

Modes identify the phase of production or the type of facility where the expense is incurred. Utilities have traditionally used extensive modal detail to classify expenses into categories of "plant," including source of supply, treatment, transmission and distribution. Modes in transportation enterprises distinguish such categories as types of transit lines (motor bus, trolley bus, etc.) or service areas (airfields, hangars, terminals, warehouses, railway yards, etc.).

Because modes classify types of facilities, they are closely related to fixed asset categories; in many cases, modal categories are the same as the categories *Plant in Service* illustrated in Part 1, Chapter 5, *Asset Detail Accounts*. For the same reason, modal classification is used most extensively for three activities: operations, maintenance, and cost allocations. In utility funds, administration and customer services are frequently treated as nonmodal and are included in a general category. However, because of the greater diversification of facilities in transportation enterprises, each mode in those proprietary funds is likely to have its own separate administrative and customer service activities, although there will still be a general administrative category.

Most proprietary funds responsible for operating a variety of facilities will establish an organization structure that assigns each facility to a specific manager. For that reason, modal classifications usually follow the separation of a fund into divisions or departments; accordingly, they are most properly treated as organization codes rather than account codes. Throughout this chapter, it is generally assumed that modal classification is accomplished through use of the local option field, except where it is already included in the prescribed BARS account. (See Central Services, account 5l8, Municipal Vehicles and Public Works Equipment, account 548, and Parks and Recreation, accounts 573-576, for examples of element coding that is organized by modes.) The use of the local option field has two important additional benefits: first, modes may include several activities and/or nonoperating expenses; the local option field allows reporting of the entire "responsibility center" as a unit. Second, the remaining digits in the local option field are ideally suited to distinguish individual facilities within a type, such as particular pumping stations or individual hangars. Costs that can

be identified with a particular location can be charged to that subdepartment; remaining costs that belong to a type of facility but that cannot be readily associated with a particular site are charged to the general department.

The modal classifications generally follow the categories of *Plant in Service* used to classify capital assets in Part 1, Chapter 5. The exception is airports, where the fixed asset Basub/element accounts already identify types of facilities.

Suggested Task Classifications

Tasks are very detailed expense categories; they may be subdivisions of both activities and modes and they are used for a wide variety of distinctions. Only the largest proprietary funds should require the use of this level of detail.

Because tasks are so varied in purpose, it is difficult to give precise recommendations for classifying them. A task may be limited to a specific project, in which case the use of a work order system or of the other local option field is called for. Or a task may consist of a subdivision of a mode, such as maintaining a particular pumping substation or the communications system for a bus line; in those cases, tasks are appropriately classified as subdepartments. Or a task may be a subdivision of an activity, such as maintenance supervision.

The tables below illustrate task codes for utility and transportation funds, following the distinctions established by the regulatory charts of accounts. These regulatory charts generally treat tasks as subactivities, even where a department or project classification might be more appropriate. Tables are available on request from the State Auditor's Office which cross reference each regulatory account to the equivalent task account in the illustrations below.

In these examples, there is little duplication of tasks between activities, except that maintenance tasks are generally the same as cost allocation tasks. For that reason, separate task classifications have been developed for operations, customer service and marketing, administration, and maintenance and cost allocation.

These suggested task classifications require one digit to classify operations tasks, two digits to classify customer service and administrative tasks, and three digits to classify maintenance and cost allocation tasks. Of course, you may use fewer digits if your accounting system requires less detail.

OPERATIONS TASKS

Code	Utility Funds	Transportation Funds	Code
1	Supervision and Engineering	Supervision and Engineering	1
2	Power Generation Expenses	Operation of Power Facilities	2
3	General Labor and Expenses	Revenue Equipment Operations	3
4	Systems Control and Load Dispatching	Movement Control and Switching	4
5	Substations	Communication Systems	5
6	Overhead Lines	Scheduling	6
7	Underground Mains and Lines	Garage and Yard Operations (e.g., fueling; exclude maintenance)	7
8	Street Light, Signal and Alarm Systems	(Unassigned)	8
9	Miscellaneous	Miscellaneous	9

CUSTOMER SERVICE AND MARKETING TASKS

Code		Task Description
10		Customer Accounts
	11	Supervision
	12	Meter Reading
	14	Customer Records and Billings
	15	Collections
	18	Uncollectible Accounts
	19	Miscellaneous
20		Customer Services
	21	Supervision
	22	Customer Assistance
	26	Public Service Advertising
30		(Unassigned)
40		Ticketing and Fare Collection
50		(Unassigned)
60		Marketing
	61	Supervision
	62	Demonstrations and Tours
	64	Sales Representatives
	66	Advertising
70		(Unassigned)
80		Auxiliary Operations
		Examples include cafeterias, bookstores, fuel pumps, etc., if operating expenses. If nonoperating, use 500 series of BARS codes.
90		Miscellaneous

ADMINISTRATIVE TASKS

Code		Task Description
10		General Administration
	11	Boards and Commissions
	13	Executive Department
	15	Legal Services
20		Management Services
	21	Accounting, Auditing, Finance
	22	Real Estate Management
	23	General Engineering
	24	Purchasing and Stores
	26	Word Processing
	27	Printing and Duplication
	28	Data Processing
	29	Miscellaneous
30		Security and Safety
	31	Police
	32	Fire Control
	36	Ambulance/Emergency Aid
40		Communications
50		Insurance, Injuries and Damages
60		Personnel
	61	Personnel Services
	63	Labor Relations
	64	Employee Training
	67	Equal Opportunity/Affirmative Action
	68	Benefits Administration
70		(Unassigned)
80		Franchises and Regulatory Commission Expenses
90		Miscellaneous

MAINTENANCE AND COST ALLOCATION TASKS

The important distinction in this group of tasks is the particular type of asset that is being inspected, repaired, depreciated or depleted. The last two digits of the task code are generally taken from the capital asset detail accounts.

Code	Task Description	Additional Task Detail
100	Maintenance Supervision and Engineering	Assign locally, if needed
200	Depletion of Land	Assign locally to identify individual parcels, if needed
300	Maintenance/Depreciation of Buildings and Structures	Use digits 21 through 38 (See capital asset accounts 172-173)
400	Maintenance/Depreciation of Leased Facilities	Assign locally to identify individual facilities
500	Maintenance/Amortization of Leasehold Improvements	Assign locally to identify individual improvements
600	Maintenance/Depreciation of Other Improvements	Use digits 61 through 98 (See capital asset accounts 176-179)
700	Maintenance/Depreciation of Machinery and Equipment	Use digits 11 through 88 (See capital asset accounts 181-188)
800	Vandalism Repairs	Use digits 11 through 88 for equipment (See capital asset accounts 181-188); assign locally to identify buildings and improvements
900	Other Amortization and Miscellaneous Maintenance	Assign locally, if needed

Strategies For Constructing A Detail Expense Code

Because expenses are classified in a variety of ways, it is more difficult to develop an effective expense coding structure than a similar revenue coding structure. Most expense classifications are either very detailed - and therefore burdensome to use and prone to coding errors - or they are inadequate to give management the information they need - resulting in less informed management decisions and/or staff time spent reanalyzing and resummarizing individual transactions.

The steps that follow will not produce a coding structure that satisfies everyone, but they should help maximize the information available in your accounting system while minimizing the burden of coding individual transactions.

l. Obtain an organization chart for the proprietary fund.

2. List the major facilities operated by the proprietary fund; and, if they are numerous, group them into main types.

3. Compare the organization structure with the types of facilities operated by the fund. If they match, you have your modal classification, and you should use the local option field to classify these categories. If they do not match, the fund is administered on some other basis than by putting each manager in charge of one or more facilities. In such cases, prepare a matrix or spreadsheet and look at the overlap, following the procedures discussed in Chapter 6, Section D. Once you have decided on the best matrix of managers and facilities, code the managers at the local option level and the facilities at the other local option level. That will allow you to produce high level reports for each facility (cost center) and for each manager (responsibility center).

4. Make an extensive study of what other reports are asked for about the proprietary fund operations. Who prepares them? What data do they use? Is each report related to a particular type of facility or to a particular manager responsibilities? For any report that crosses lines of responsibilities and/or categories of facilities, is there a possible classification that would highlight or summarize the required data?

   If you have not already used the local option field, this is the kind of information to classify in that field. If that field is not available, develop a uniform task code that can be tracked throughout the fund.

5. Once you have established an account structure that reflects the facilities the fund operates and the managerial organization of the fund, and that produces the reports you need, resist attempts to add further classifications.

Fields For Detail Expense Coding

A diagram of the BARS, with its 16 digits in six fields, is shown below. For all proprietary functions, the BARS accommodates coding of operating expenses by function and activity within the seven digit account number. In utility and transportation enterprises, use of the subelement digit has not been prescribed and although is available for modal or task categories, the local option field is recommended for model.

UTILITY AND TRANSPORTATION ENTERPRISES

A = Activity (Administration, Depreciation, Maintenance, etc.)
F = Function (Water Service, Transit, Central Services, etc.)
M = Mode (Source of Supply, Airport Hangers, Data Processing, etc.)
O = Objects (Salaries, Supplies, etc.)
P = Proprietary Fund Identifier
T = Tasks (Maintaining pumps, scheduling bus service, billing customers, etc.)
U = Unassigned field, available to local government for additional detail

P P P	U U U	U U U	5 F F	A(M/T)	O O
Fund Field	Local Option Field	Local Option Field	Prime and Basub Field	Element and Subelement Field	Object and Subobject Field

Organizational Numbers — Account Numbers

Example 1: Salary expenses for maintenance of reservoirs in the Water Fund 402.

4 0 2	- - -	- - -	5 3 4	5 (1/6)	1 0

Example 2: Cost of billing customers for hangar rentals in the Airport Fund 406.

4 0 6	- - -	- - -	5 4 6	7 (2/1)	4 1

OTHER PROPRIETARY FUNDS

In other proprietary funds, where the subelement digit has been used to classify activities, the element digit has already distinguished the mode:

A = Activity (Administration, Depreciation, Maintenance, etc.)
F = Function (Water Service, Transit, Central Services, etc.)
M = Mode (Source of Supply, Airport Hangers, Data Processing, etc.)
O = Objects (Salaries, Supplies, etc.)
P = Proprietary Fund Identifier
T = Tasks (Maintaining pumps, scheduling bus service, billing customers, etc.)
U = Unassigned field, available to the local government for additional detail

P P P	U U U	U U U	5 F F	M A	O O
Fund Field	Local Option Field	Local Option Field	Prime and Basub Field	Element and Subelement Field	Object and Subobject Field

Organizational Numbers — Account Numbers

Example 3: A water bill for golf course greens (Fund 410)

4 1 0	- - -	- - -	5 7 6	6 5	4 7

Example 4: Purchase of batteries for inventory in the ER&R Fund (501)

5 0 1	- - -	- - -	5 4 8	4 9	3 4

Notice that the BARS account number generally cannot accommodate task detail coding. But there is some duplication of coding in the preceding examples. Since proprietary funds have only one or a very few functions, the prime/Basub field of three digits provides the same information already contained in the fund field. For example, a water fund will be assigned a fund number such as 402 and the prime/Basub field will be coded 534. Both fund number 402 and prime/Basub 534 mean the same thing: water expenses. You can conserve coding space by using the prime digit “6” to mean operating expenses in fund 402. If one of the local option fields is used for modes, the Basub and element/subelement digits then are available for activity and task coding.

P P P	U U U	U U U	5 F F	A(M/T)	O O
Fund Field	Local Option Field	Local Option Field	Prime and Basub Field	Element and Subelement Field	Object and Subobject Field

_____/ _____/

Organizational Numbers Account Numbers

Example 1: Salary expenses for maintenance of reservoirs in the Water Fund 402. Department 100 is source of supply and the task code 6.61 is the fixed asset account code for reservoirs.

4 0 2	- - -	1 0 0	6 5 6	6 1	1 0

Example 2: Cost of billing customers for hangar rentals in the Airport Fund 406. Department 200 is hangars and tiedowns; task 1.40 is customer billings.

4 0 6	- - -	2 0 0	6 7 1	4 0	3 4

Example 3: A water bill for golf course greens (Fund 410). Department 160 is golf courses; task 6.92 is greens maintenance. Note that if there were more than one course, the local option field could identify which one.

4 1 0	- - -	1 6 0	6 5 6	9 2	4 7

Example 4: Purchase of batteries for inventory in the ER&R Fund (501). Department 300 is the stores department in the ER&R. Task 2.40 is purchasing.

5 0 1	- - -	3 0 0	6 9 2	4 0	3 4

If you use the 600 accounts, it is important to establish a consistent entity-wide classification with that series because you will need to prepare operating statements for your annual report. For the same reason, the 600 series should be compatible with the classification of expenses used in the 500 series. Accordingly, we recommend the following account structure, based on the activity coding in Part 1, Chapter 7, Section B.

610	General Administration Expenses
620	Planning, Conservation, Research and Development
630	Depreciation, Amortization and Depletion
640	Staff Training
650	Maintenance
660	Contracted Operations and Processing
670	Customer Service and Marketing
680	General Operations
690	Other Operating Expenses

It is also recommended that the 600 series be limited to operating expenses and that the 500 series continue to be used for nonoperating and other losses and expenses.

Objective

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. The planning process involves determining the types and levels of services to be provided and allocating available resources among various departments, programs, or functions. Financial control and evaluation processes typically focus upon assuring that fixed expenditure limitations (appropriations) are not exceeded and on comparing estimated and actual revenues.

The budget authorizes and provides control of financial operations during the fiscal year. Upon adoption, the expenditure estimates in the fixed portion of the annual comprehensive budget, as modified by the legislative body, are enacted into law through the passage of an appropriations ordinance (city) or resolution (county). The appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the legislative body. Expenditures should be monitored through the accounting system to assure budgetary compliance. Unexpended and/or unencumbered appropriations may lapse at year end or may continue as authority for subsequent period expenditures, depending upon the applicable legal provisions (e.g., RCW 35.33.151).

Encumbrances - commitments related to unperformed (executory) contracts for goods or services - should be utilized to the extent necessary to assure effective budgetary control and to facilitate cash planning. Encumbrances outstanding at year end represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed; they do not constitute expenditures or liabilities.

Essential Elements of a Budget System

In order to work effectively, any budget system must provide for:

1. A structure which presents data in categories reflecting the organization's objectives.
2. Continual analysis by each organization of how its plan meets these objectives.
3. Alternative objectives and alternative plans for meeting these objectives.
4. An integrated planning/budgeting process incorporating data that is meaningful for decision making.
5. Broad planning decisions in a budget context.
6. Timely presentation of plans and financial data for action by the legislative body.

In short, the system must allow decision makers to see how resources can be used to meet objectives.

Long-Range Plans

The purpose of long range planning is to provide a better understanding (for departments, administrators, legislators, and citizens) of the activities and functions the government performs and the resources needed to continue or extend these services. If properly managed, long range planning will reduce the extent to which immediate crises dominate a government's budgeting and resource allocation decisions.

Each fund or department should develop long-range plans of its activities. These plans should contain descriptions of departmental goals, its service recipients or customers and other performance criteria. Where specific problems or projects are foreseen, the plan should describe the problem and discuss the costs and benefits of alternative solutions, indicating which solution is preferred and why. These departmental or functional long-range plans should be coordinated into a comprehensive plan for the entire local government.

At the same time, the government should be estimating its probable resources. For many smaller jurisdictions, this function is performed in part by relying on external associations, such as Association of Washington Cities, Municipal Research and Services Center, and the Washington State Association of Counties. Administrative and legislative officials should review and adjust these long-range plans to meet resource projections.

In order to be effective, this long-range planning needs to be a continuous process; updating these long-range plans should be performed at the beginning of the annual budget process.

Budget Definitions

A *budget* is a forecast of expected resources and the purposeful distribution of those scarce resources. When a budget is appropriated by ordinance or resolution, it provides both the right to spend and limits the amount to be spent. Both appropriated and less formal management estimates are used by managers to control spending.

An *original budget* is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

A *final amended budget* is a term used in budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

A *comprehensive budget* is an entity-wide budget that includes all resources the government expects and everything it intends to spend or encumber during a fiscal period. The comprehensive budget contains annual/biennial appropriated budgets, the annual/biennial portion of continuing appropriations such as the capital improvement projects, debt amortization schedules, and grant projects, flexible budgets and all nonbudgeted funds.

The term *fixed budget* is used to describe those budgets which set an absolute maximum or ceiling on the expenditures of a particular fund, department, or other specific category. A fixed budget can be either an annual/biennial appropriated budget or a continuing appropriation. Fixed budgets must be adopted by ordinance or resolution, either for the government's fiscal period or at the outset of a service project, debt issue, grant award, or capital project.

An *annual/biennial appropriated budget* is a fixed budget adopted for the government's fiscal period. The appropriated budget was traditionally used to determine a government's property tax levy, and a ceiling on expenditures was made absolute so that the expenditures of a government unit would not exceed its revenues. This budget was also historically a "balanced" budget, estimated revenues equaling appropriations. The appropriated budget is still used to set tax levies and some budget statutes still require "balanced" budgets, but it is more generally used to authorize a specific amount of expenditures regardless of whether estimated resources meet or exceed that amount. Appropriated budgets are required by statute in cities (Chapter 35.32A, 35.33, and 35A.33 RCW), counties (Chapter 36.40 RCW), and most other local governments in Washington State. These budgets are also called legal budgets, adopted budgets, or formal budgets. The appropriated budgets should be adopted by ordinance or resolution.

A *continuing appropriation* is a fixed budget which authorizes expenditures for a fiscal period that differs from the government's fiscal year, such as capital projects, debt issues, grant awards, and other service projects. These expenditures require an ordinance or resolution to authorize the project, establish the assessment roll, adopt the debt amortization schedule, or accept the grant award. Such ordinances or resolutions set an absolute maximum or ceiling on the expenditures, but the time period for incurring expenditures does not coincide with the government's fiscal year; it may even cover several years. The major difference between annual/biennial appropriated budgets and continuing appropriations is that the latter do not lapse at fiscal period end; this implies that no legislative action is required to amend the annual/biennial portion of a continuing appropriation, unless the total authorized expenditures would exceed the entire appropriation.

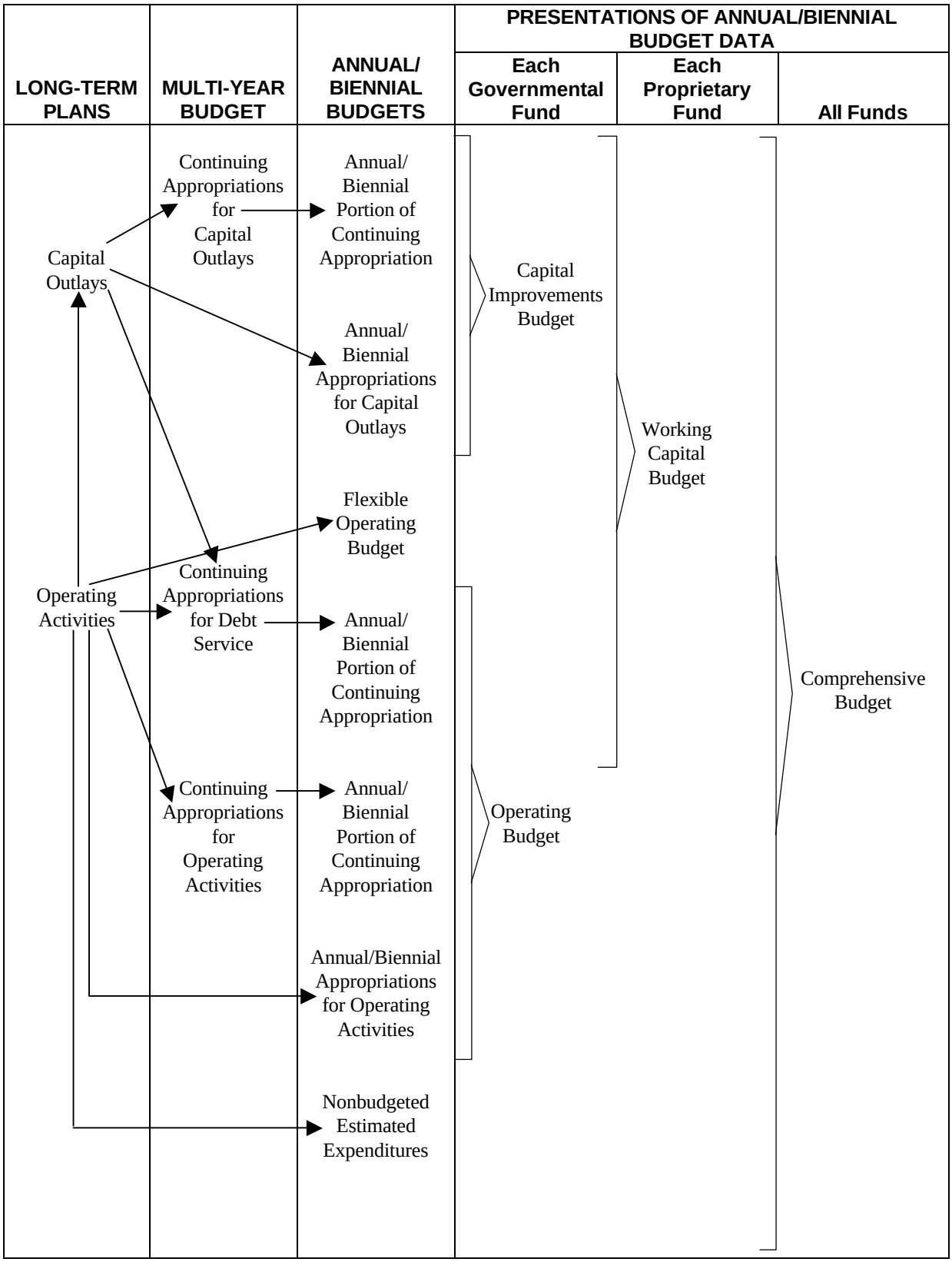
Flexible budgets are usually regarded as managerial tools, which do not set a ceiling on expenses or expenditures but establish a plan for them at various levels of service. They are especially appropriate for the day-to-day operations of a public utility where it is essential to plan fluctuations in the demand for services and where revenues will automatically increase with demand, so that a balanced budget does not depend on establishing a ceiling for expenses.

A *working capital budget* combines flexible and fixed budget elements in one document for enterprise and internal service funds. Current operations are flexibly budgeted based on the estimated level of services to be provided and long-range sources and uses of assets are controlled by annual/biennial appropriations and continuing appropriations.

A *capital improvement budget* contains two elements: the annual/biennial portion of capital projects and annual/biennial appropriations for the purchase, construction or replacement of major fixed assets in the current fiscal period.

An *operating budget* presents the estimated expenditures and available resources necessary to provide the services for which the government was created. An operating budget will contain flexible budgets and fixed budgets; the fixed budgets will include annual/biennial appropriations for services and the annual/biennial portion of continuing appropriations for debt service and for service projects.

The graph on the next page shows how these various types of budgets are related and how the annual/biennial portions of these budgets are incorporated into the elements needed to complete the comprehensive budget.


LONG-TERM PLANS
MULTI-YEAR BUDGET
ANNUAL/ BIENNIAL BUDGETS
PRESENTATIONS OF ANNUAL/BIENNIAL BUDGET DATA
Each Governmental Fund
Each Proprietary Fund
All Funds
Capital Outlays
Continuing Appropriations for Capital Outlays
Annual/ Biennial Portion of Continuing Appropriation
Annual/ Biennial Appropriations for Capital Outlays
Capital Improvements Budget
Working Capital Budget
Flexible Operating Budget
Operating Activities
Continuing Appropriations for Debt Service
Annual/ Biennial Portion of Continuing Appropriation
Comprehensive Budget
Continuing Appropriations for Operating Activities
Annual/ Biennial Portion of Continuing Appropriation
Operating Budget
Annual/Biennial Appropriations for Operating Activities
Nonbudgeted Estimated Expenditures

SYSTEM DESIGN

The BARS is designed to allow formal integration of budgeting and accounting for all fund types in a governmental accounting system. The budget formats allow for different levels of detail for different levels of management.

For governmental fund types, the BARS is premised on the use of appropriated budgeting, which can be supplemented or (where statutes permit) replaced by capital improvement, project or program budgets that cover multiple/partial fiscal periods or cross organizational boundaries. For proprietary fund types, the BARS provides two budgeting options. A municipality may elect to budget proprietary funds by establishing fixed dollar budgets as for governmental funds; or a municipality may elect to use *working capital* budgeting, which combines flexible budgeting for current operations with fixed limits on long-range sources and uses of assets.

RULES

WHAT FUNDS MUST HAVE BUDGETS?

1. Normally all general (current expense), special revenue, and proprietary funds of local governments must have annual/biennial appropriated budgets.

2. Normally debt service and capital project fund budget requirements are met by the continuing appropriation contained in the enabling ordinance or resolution. These funds do not need annual/biennial appropriated budgets.

WHAT KINDS OF BUDGETS ARE REQUIRED OR ALLOWED?

3. Each local government must prepare a comprehensive, entity-wide budget of all anticipated resources and outlays for the fiscal period, including those funds for which appropriated budgets are not required and including estimates of the annual/biennial portion of continuing appropriations.

4. Annual/biennial appropriated budgets are required by statute for nearly all expenditures made from the general (current expense), special revenue and proprietary funds of local governments. Annual/biennial appropriated budgets are also required for other funds that set tax levies.

5. Proprietary funds may use working capital budgets to satisfy statutory budget requirements.

6. An entity-wide capital improvements budget may be used instead of fund-by-fund budgets to appropriate expenditures for plant, property and equipment.

WHAT DETAIL IS REQUIRED?

7. Where annual/biennial appropriated budgets must be legally adopted by ordinance or resolution, they should be adopted at the department or fund level. A single ordinance or resolution should contain all annual/biennial appropriated operating budgets for the entire government. A separate ordinance or resolution may be used for annual/biennial appropriated capital improvements budgets. Normally, budgets are initially prepared at the level of expenditure objects, but they should be summarized into broad categories of services for appropriation. This does not preclude detailed budgets from being used by departmental managers, but it does allow them the discretion they need to manage their departments.

8. The prescribed chart of accounts is to be used for budget preparation, except that budget detail need not specify subobjects of expenditure. Budgets should include not only revenue and expenditure/expense accounts, but also other financing sources and uses, transfers, contributions of capital, and beginning and ending fund balances or working capital (RCW 35.33.011 and 36.40.090).

SPECIAL RULES BY FUND TYPE

9. Some special revenue funds are authorized to budget on a project basis (such as cumulative reserve funds), and some special revenue funds are exempt from appropriated budget requirements (such as the county treasurers' Operations and Maintenance funds). Nonetheless, estimated annual/biennial resources and outlays for such funds must be included in the comprehensive budget (Item 3 above).

10. Appropriated budgets for debt service funds are not normally required. While Washington State budget statutes do not exclude debt service funds from annual/biennial appropriated budget requirements, RCW 39.48.020 requires that all resolutions or ordinances authorizing the sale of G.O. debt must include an amortization schedule to list interest payments and fix the annual maturities of the debt throughout the life of the issue; accordingly, the bond resolution or ordinance serves as a perfectly adequate budget for the entire life of the issue. The same principle applies to installment purchases and lease purchase agreements. Other debt payments accounted for in debt service funds are normally financed by contributions from other funds of the same government, and the amounts have already been budgeted as operating transfers to the debt service funds; rebudgeting the expenditures in the debt service fund serves no useful purpose. All debt service fund revenues and the current portion of the amortization schedule must be included in the comprehensive budget (Item 3 above).

11. Capital project funds may be budgeted either on an annual/biennial basis or on a project basis. The budget statutes for cities and counties provide that most appropriations lapse at the end of the fiscal period, but that the lapses do not prevent payments on "uncompleted improvements in progress" (RCW 36.40.200). In addition, most capital projects are funded by debt issues; the authorization for the debt issue is normally accompanied by official legislative action on the projects to be funded by the debt. City statutes are explicit about the unlapsed status of appropriations in such funds (RCW 35.32A.080, 35.33.151, and 35A.33.150). These statutes are interpreted to permit project budgeting of capital project funds. If project budgeting is employed, annual/biennial estimates of project resources and outlays must be incorporated in the comprehensive budget (Item 3 above). (Also see Capital Improvement Budget Section.)

12. Capital projects that involve special assessment districts should be budgeted on a project basis. Although improvement district statutes vary, they normally require formal adoption of an assessment roll. The LID formation ordinance is a perfectly adequate budget for the life of the LID. The amount of the assessment roll is determined by the estimated costs of construction and of debt service, which are accordingly approved by the same action. If construction costs exceed estimates, legislative approval is normally required; that approval should be recorded as a budget modification. Annual/biennial estimates of resources and outlays must be incorporated in the comprehensive budget (Item 3 above).

13. Fiduciary funds are not generally subject to budget requirements, but there are some exceptions: agency funds used to account for pass-through resources may require formal budgetary integration to establish adequate fiscal control over subgrants. Nonbudgeted fiduciary funds normally should not be included in the comprehensive budget, because they do not represent resources or outlays that benefit the local government itself. Budgeted fiduciary funds must be included in the comprehensive budget (Item 3 above).

14. All proprietary funds must be budgeted on an annual/biennial basis, according to either of the two methods described below. These budgets must be included in the comprehensive budget (Item 3 above).

Option 1 – Budgeting by Object

This option requires separating "expenditures" from "expenses"; that is, the budget appropriates most cash disbursements, whether or not the transactions are accounted for as "expenses." The budget procedures chapter discusses two different ways of using the accounting system to do this kind of budgeting.

When using this option, budget monitor reports for proprietary funds reflect budgetary compliance data only and are not intended to present results of operations in conformance with generally accepted accounting principles (GAAP).

Option 2 - Working Capital Budgeting

This method of budgeting involves two separate budget aims within one budget document. First, current operations are flexibly budgeted to result in a specific level of new cash flow from operations (the excess of revenues over expenses). Second, all long-range sources and uses of assets are controlled by fixed budgeting. (You may also control the liquidity of selected current assets by fixed budgeting.) In other words, the flexible portion of the budget permits revenues and expenses for current operations to increase or decrease as the demand for service fluctuates. The control over current operations is set by the ordinance or resolution that establishes specific rates/charges for goods and services that are routinely furnished as the fund's primary objective. The fixed portion of the budget controls the dollars that will be accumulated for or spent on expansion and replacement of the facilities that the proprietary fund uses to provide its goods and services.

BUDGET PROCESS

The steps listed below are used to develop all types of budgets. See procedures for more detail on each step.

1. The Budget Calendar

   The budget director should review the applicable RCWs for statutory dates and develop a budget calendar after appropriate consultation with legislative and executive officers. The calendar should identify preparation periods and deadlines for each of the following steps.

2. Policy Guidelines

   Executive and legislative officials should meet to discuss revenue trends, economic prospects, major cost items and service objectives to be reflected in the budget. These discussions should result in overall guidelines for departments to use in making budget requests. These guidelines become part of the *Goals and Priorities Statement*.

3. Budget Instructions

   The budget director should prepare a budget manual. Part 2, Chapter 2 contains forms and instructions suitable for most local governments. The budget manual should contain a budget calendar, a description of the budget process, management and legislative policy guidelines, lists of goals and priorities, instructions on how to complete required forms, data on overhead expenditures (such as salary increases, fringe benefit factors, insurance and utilities) and rates for interfund services such as accounting, data processing, photocopying, printing and equipment rental.

4. The *Call* and *Goals and Priorities Statement*

   The *Call* and a *Goals And Priorities Statement* (see samples) are issued simultaneously to communicate policy guidelines and budget instructions to the operating departments.

5. Detailed Expenditure Requests

These are prepared by individual departments and submitted to the budget director for review. The requests should contain narrative justifications. All outlays, including ending fund balance, continuing appropriations, encumbrances and non-budgeted funds, must be included in the budget estimates. Some examples of methods used to develop budget estimates are: 1) listing of requirements (objects), 2) extrapolating from the old budget, or 3) developing measurements of service efforts and accomplishments. This last method quantifies the demands placed on your government for goods and services. Some examples of measurable services are the number of inspections, repairs, permits, arrests, cases filed, properties reassessed, documents processed, etc. Illustrative forms and completed sample budgets are presented in later sections of this manual. Subsequent sections of this chapter provide additional instructions for enterprise and capital improvement budgets.

6. Revenue Estimates

These estimates are normally prepared by the budget director, with appropriate input from department heads and direction from the executive and legislative policymakers. The estimates should include all resources, not merely those categorized as revenues. The estimates should be reviewed throughout the budget process and especially carefully one last time just before final budget action is taken by the legislative body.

7. Budget Review

This process is intended to establish priorities for governmental services and capital improvements and to bring the budget requests into balance with available resources. It is normally a function of the budget officer and the chief executive.

8. The Budget Document and Message

The budget document is prepared by the budget director and the chief executive when the budget review process is complete. It contains estimated resources and proposed expenditures with detailed justification of the recommended budget. This document should contain a summary at the Basub level by department in order to focus attention on the broad categories of service and the objectives of the unit of government. For similar reasons, the document should be comprehensive, including nonbudgeted funds and the annual/biennial portion of continuing appropriations. Either in an accompanying narrative or by using a BARS code subdivision, the comprehensive budget must indicate which portions are annual/biennial appropriations, which are portions of continuing appropriations, and which are estimates where no appropriation is required. This is necessary in order for citizens, council members, managers, and auditors to understand what limits are set in the budget document and what action would be required to change the estimates and appropriations.

The chief executive should include in this document his/her budget message, to describe the major assumptions underlying the budget, significant changes in the proposed budget from the current year budget, and major issues the legislative body must address, such as the tax levies, bond issues, and project amendments. (RCW 35.33.057 and 35A.33.055 require budget messages for cities.)

9. Budget Hearings and Adoption

One or more formal public hearings are required by statute before the budget is adopted. Special meetings may be scheduled prior to the public hearings, in order to brief and address the concerns of the council or commission on the budget. After the public hearings, the legislative body should complete its deliberations and make its final adjustments to the proposed budget. Revenue estimates should be reviewed one last time, and then the legislative body should adopt (by ordinance in cities, by resolution in counties) those portions of the comprehensive budget which require annual/biennial appropriations, along with related revenue ordinances or resolutions. (See sample ordinances in procedures section.)

10. Recording the Budget

The annual/biennial appropriations contained in the comprehensive budget must be recorded in the subsidiary ledgers to permit comparisons between estimated and actual resources and to compare and control expenditures with appropriations. These subsidiary ledgers are summarized in control accounts in the general ledger. The nonbudgeted portions and continuing appropriations contained in the comprehensive budget may also be recorded to provide management control. Note that for continuing appropriations, what should be monitored is not the annual/biennial portion but the overall project or debt schedule. When posting these amounts to the subsidiary ledger, the annual/biennial appropriations may be separated from the nonbudgeted or continuing appropriations by using a BARS code subdivision.

11. Mid-Biennium Review and Modification

Procedures for mid-biennial budget review and modification for cities and towns are prescribed in RCW 35.34.130 and 35A.34.130.

Counties are also required to provide by ordinance/resolution for a mid-biennial budget review and modification for the second year of biennium (RCW 36.40.250).

The ordinance/resolution should contain procedures for distribution of proposed modifications to the county's legislative body and public. It should provide for hearing(s). The ordinance/resolution should require that such review and modification will occur no later than the conclusion of the first quarter of the second year of the fiscal biennium. The appropriate officer should prepare proposed budget modifications and publish a notice of hearing(s) in the same way other hearings notices are published. The budget modification ordinance/resolution should be approved in the same manner as others.

The completed copy of adopted budget modifications should be sent to the State Auditor's Office.

This is the traditional budget universally adopted by local governments for the general (or current expense) and special revenue funds. See Part 2, Chapter 1 for more specific rules about which funds must adopt an appropriated operating budget. This type of budget is developed "from the ground up"; that is, it begins with budget estimates and requests from individual department and fund managers. From this level, the estimates and requests are summarized by the budget office into a total budget for the entire governmental unit. The individual government should decide how many levels of budgetary detail and summary are needed; however, the ordinance or resolution that formally adopts the budget should be at a fund or department level. (See the sample ordinance in this chapter.)

These illustrative forms and instructions provide for narrative explanations to accompany all budget requests. These narratives should be prepared by the operating department, not by the budget office. Narratives should accompany all budget forms where it is necessary to explain exceptions and/or analyze estimated revenues and expenditures. Detailed explanations are not required for routine continuing support costs such as electricity, water, heat, etc. The narrative requirements should be outlined by the budget officer.

The types of budgets are illustrated as SAO forms. Local governments are not required to use those forms. Your government may use its own forms and format as long as the required BARS coding is used.

Estimated Expenditures/Expenses/Uses/Reserves

The operating budget is prepared at the department or comparable level by fund, program, department, Basub, element, and object. Subobjects are not required for budgeting.

Estimated Beginning Fund Balance/Revenues/Other Sources

Initial estimates of revenues and other sources are prepared by the revenue collecting unit. These data are listed by fund, department, Basub and element. In addition, each intergovernmental revenue should be separately identified by a grant source code.

The collecting unit projects revenue on a departmental level with a narrative to explain increases or decreases. These estimates are submitted to the budget officer.

The budget officer summarizes all the departmental estimates by fund, element, and subelement and adds estimated beginning fund balance and tax levies. At this time, reference to departments is usually omitted since amounts are combined under applicable funds. Department narratives are combined into a single statement for the legislative body.

Fund Name and Number	Estimated Beginning Net Cash and Investments/ Revenue/Other Sources ___ excluding taxes ___ including taxes	City/County/District	
Program		Budget For Year _____	Page
Department			

Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G 2/ (F÷E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C 1/ B÷E (%)	D Original Budget	E Amended Budget		
			Enter account title from Chart of Accounts in Part 1, Chapter 3.							
				Columns: A Enter prior year actual revenues/other sources, including beginning net cash and investments. B Enter current year revenues/other sources to budget preparation date, including beginning net cash and investments. C See Note 1 below. D Original budget adopted for current year. E Current year budget, including all amendments to date. F Proposed budget for next year, including estimated beginning net cash and investments. G See Note 2 below.						

1/ Column C gives the percent of estimated resources that have actually been earned or received.

2/ Column G is the estimated increase or (decrease) in the next year resources over the current year latest estimate.

Fund Name and Number	Estimated Expenditures/Uses/Reserves	City/County/District	
Program		Budget For Year _____	Page
Department			

Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G 4/ (F÷E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C 3/ B÷E (%)	D Original Budget	E Amended Budget		
			Enter account title from Chart of Accounts in Part 1, Chapter 4.							
				Columns: A Enter prior year actual expenditures and ending net cash and investments. B Enter current year expenditures to budget preparation date. C See Note 3 below. D Original budget adopted for current year. E Current year budget, including all amendments to date. F Proposed budget for next year, including estimated ending net cash and investments. G See Note 4 below.						

3/ Column C gives the percent of estimated expenditures/uses that have actually been incurred.

4/ Column G is the estimated increase or (decrease) in the next year expenditures/uses over the current year latest estimate.

Fund Name and Number	Estimated Beginning Net Cash and Investments/ Revenue/Other Sources	City/County/District	
Program	___ excluding taxes ___ including taxes	Budget For Year _____	Page
Department			

Account Number			Account Title	A Last Year Actual	Current Year				F Next Year Estimate	G 2/ (F÷E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C 1/ B÷E (%)	D Original Budget	E Amended Budget		

1/ Column C gives the percent of estimated resources that have actually been earned or received.

2/ Column G is the estimated increase or (decrease) in the next year resources over the current year latest estimate.

Fund Name and Number											
Program			Estimated Expenditures/Uses/Reserves						City/County/District		
Department									Budget For Year _____	Page	
Account Number			Account Title	A Last Year Actual	Current Year					F Next Year Estimate	G 2/ (F÷E)-1 (%)
Basub	Ele.	Object			B Actual To Date	C 1/ B÷E (%)	D Original Budget	E Amended Budget			

1/ Column C gives the percent of estimated expenditures/uses that have actually been incurred.

2/ Column G is the estimated increase or (decrease) in the next year expenditures/uses over the current year latest estimate.

Continuing appropriations are fixed budgets for a fiscal period that differs from the government's budgeted period. Examples include construction projects, special assessments, grant projects, lease-purchases, installment purchases, and debt service. (See Part 2, Chapter 1 for the definition.)

The continuing appropriation budget is prepared by each department or fund by project or debt service schedule. (The latter includes lease-purchases and installment purchases.) Anticipated resources and outlays for each project or debt are coded by fund, program, department, Basub, element and object. Subobjects are not required for budgeting. In addition, each intergovernmental revenue should be separately identified by a grant source code.

Fund Name and Number	Estimated Revenues, Expenditures, Other Sources and Uses for Continuing Appropriations of Debt Service and Projects	City/County/District	
Program/Department		Budget For Year _____	Page
Project			

Account Number			Account Title	Debt Svc. Schedule/Project Life				Next Year			
Basub	Ele.	Object		A Original Budget	B Amended Budget	C Prior Year Actual	D Current Year Estimate	E Jan. 1 Remaining Budget B-C-D	F Est. Resources or Outlays	G Dec. 31 Re-maining Budget E-F	H 1/ C+D+F B (%)
			Enter account titles from Chart of Accounts in Part 1, Chapters 3 and 4.								
				Columns: A Original budget adopted for current year. B The budget for the entire debt service or project, including all amendments to date. C Total expenditures/uses incurred or revenues/other sources earned since inception to beginning of the current year. D Total expenditures/uses incurred or revenues/other sources earned in the current year to date. E Subtract columns C and D from column B. F Total estimated revenues/other sources to be earned or expenditures/uses to be incurred in the next year. G Subtract column F from column E to determine the estimated budget amount to be carried forward to a future budget period. H See Note 1 below. NOTE that all columns are used for both expenditures and revenues. The BARS account codes and titles are used to distinguish the entries.							

1/ Column H gives the percent of the total project budget estimated to be earned or spent by the end of the budget year.

Fund Name and Number	Estimated Revenues, Expenditures, Other Sources and Uses for Continuing Appropriations of Debt Service and Projects	City/County/District	
Program/Department		Budget For Year _____	Page
Project			

Account Number			Account Title	Debt Svc. Schedule/Project Life			D Current Year Estimate	Next Year			H 1/ C+D+F B (%)
Basub	Ele.	Object		A Original Budget	B Amended Budget	C Prior Year Actual		E Jan. 1 Remaining Budget B-C-D	F Est. Resources or Outlays	G Dec. 31 Re-maining Budget E-F	

1/ Column H gives the percent of the total project budget estimated to be earned or spent by the end of the budget year.

Traditional appropriated budgets contain both operating and capital expenditures. To improve management control and planning, capital expenditures for major acquisitions or construction of facilities and equipment may be separated from current operating expenditures and placed in a capital improvement budget. This budget will contain all major capital expenditures from all funds, including internal service. It will also distinguish debt incurred to acquire long-lived assets from debt incurred to finance current operations.

A capital improvement budget starts with a capital improvement program. A capital improvement program is a plan for capital expenditures to be incurred over a fixed period of time and the projected resources required to finance the expenditures. It is a long range plan that looks beyond the traditional annual/biennial budget.

To develop a capital improvement program, it is necessary, first, to compile an inventory of existing facilities and major equipment to evaluate their adequacy for present and future service needs and, second, to establish objectives and priorities for replacing whatever is inadequate and acquiring additional needed facilities and equipment.

The critical step in the development of a capital improvement program is the evaluation and prioritization of the relative need for and cost/benefit of each proposed improvement. Extensive public hearings and legislative deliberations are essential to establish an adequate program.

In developing the capital improvement program, it is important to keep the following things in mind:

1. Include projects currently in progress.

2. Include internal service fund capital outlays and purchases made by other funds and contributed to internal service funds.

3. Establish a minimum cost for items to include in the capital improvements program; capital expenditures less than the established minimum should be included in the operating budget of the fund/department that will incur the expenditure.

4. Coordinate capital improvement plans with other governments with overlapping or neighboring jurisdiction; it is appropriate for the capital improvement program to reference capital improvements planned by these governments. This can be especially important when establishing the timing of construction to minimize detours and delays.

5. Because the capital improvement program is entity-wide, it can be organized by project, by funding source, by type of construction, or in other suitable categories, instead of the more traditional funds and departments used for operating budgets. The annual/biennial capital improvement budget should follow the same format as the capital improvement program.

After evaluating and picking the capital improvements to be completed, it is necessary to choose the best method of financing. Some examples of financing are past savings (reserves), current revenues (also called "pay as you go"), debt financing, (whether from bonds, registered warrants, installment purchases, or leases), and contributions (such as special assessments and grants).

Once a capital improvement program is established it will be necessary to repeat the same steps annually/biennially to update and extend the program. A capital improvement program should not be "cast in concrete." Economic and environmental conditions will change, and those changes should result in modifications to the capital improvements program, accelerating, delaying, reprioritizing, even canceling scheduled improvements.

The capital improvements budget is next period's portion of the capital improvements program. It is presented with the annual/biennial operating budget, and those portions which require annual/biennial appropriations are adopted by the same ordinance or resolution that adopts the annual/biennial appropriated operating budget. The remaining portion of the capital improvements budget consists of the annual/biennial portion of continuing appropriations, included in the comprehensive budget but appropriated on a project rather than an annual/biennial basis.

The capital improvement budget is prepared by Basub, element, and object. In addition, each intergovernmental revenue should be separately identified by a grant source code.

In the past, the statutory requirements for proprietary fund budgeting were met by establishing fixed dollar budgets for each object of expenditure, sometimes for each functional area of a proprietary operation. This method is still permitted; it is discussed in the following material as Option 1.

An alternative method of budgeting proprietary funds is now available, discussed in the following material as "Option 2" This method, called "working capital budgeting," is designed to satisfy statutory requirements and full- accrual financial accounting needs without dual accounting. Furthermore, because this method integrates the "working capital" concept into the budget process, it allows budget reports to be used as an important tool in managing daily operations.

Budgets are typically categorized as either fixed" or "flexible," although each type may contain elements of the other. Fixed budgets embody estimates of specific dollar amounts or set maximums authorized to be levied or spent. Flexible budgets embody dollar estimates that vary according to the demand for the goods or services provided. Flexible budgets are based on standard rates for fees and costs for each unit of service; the budget is set essentially by multiplying the standard rate by the total number of units of service to be provided. Proprietary funds have a clear need for flexible budgeting in their day-to-day operations; but fiscal responsibility requires the control of fixed budgeting when commitments are made for plant expansion, debt service and other long-range objectives.

The budgets for Options 1 and 2 illustrated in Chapter 3 used the same data base, so the resulting budgets can be compared. However, the Option 2 budget follows an entirely different format and is directly related to the financial statements: It begins with the "bottom line" of the income statement (net income) and it incorporates the significant long term changes from the balance sheet (capital assets, long-term debt, and contributions of capital). The operating statement, on which the working capital budget is based, is a "linking statement" between the balance sheet and the income statement, and it shows all the changes in the fund's financial position.

More detail can, of course, be added to the working capital budget to meet local needs. The following items are not required, but the method is flexible enough to allow for them.

(1) A fixed budget can be added for net increase or decrease in inventory, prepayments, and other changes in the liquidity of working capital.
(2) Revenue restricted to debt service can be deducted from net income as an item not providing working capital, instead of showing only the net change in restricted assets as a single budgeted item.

NOTE: These options apply only to those proprietary funds accounted for on the full-accrual basis, the so-called "classified" proprietary funds. For unclassified proprietary funds, you should use BARS governmental fund revenue and expenditure accounts and the modified accrual basis for both budgetary and accounting purposes.

OPTION 1: Budgeting by Object

This method of budgeting has been used by Washington State municipalities for many years. The 1981 revision of the BARS manual formally recognized this method of budgeting and provided high-level summary accounts to facilitate its use. It is a "fixed budget" meaning that the budget ordinance or resolution establishes a ceiling on expenditures, normally for each "legal fund" within the proprietary operation.

This option requires separating "expenditures" from "expenses", that is the budget appropriates most cash disbursements, whether or not the transactions are accounted for as "expenses."

One way to accomplish "budgeting by object" is to use dual accounting systems: one accounting system on the budgetary (modified accrual) basis using the BARS 3XX accounts for revenues and using BARS account 501.XX with appropriate object codes for expenditures; another accounting system on the full accrual basis using the applicable Uniform System of Accounts prescribed by the State Auditor for each kind of proprietary fund (e.g., NARUC for water utilities).

The other way to "budget by object" is to use the BARS accounts provided for "water expenses," both operating (534) and nonoperating, and also to appropriate "water expenditures" in the 580 and 590 series (debt principal and capital outlays). Certain expense elements and objects are not appropriated, even within expense account 534, such as depreciation expense and bad debt writeoffs. Also, inventory and prepayments are appropriated as soon as item or service is purchased, although they are not expensed until consumed.

Either way, the accounting gets somewhat complicated. This method of budgeting has a second shortcoming: while it establishes the statutorily mandated control over expenditures, it is not useful for day-to-day management of a proprietary operation because it does not measure the full cost of operations and because it does not address fluctuations in the demand for the services of the proprietary entity.

Traditionally, each "legal fund" has been budgeted separately, both for revenues and for expenditures. This separation results in some deficit fund balances, in "bond" or debt service funds. This separation of funds also results in a lot of interfund transfer activity. Some examples shown in the illustration: bond proceeds are transferred to construction funds; operating fund resources are transferred to bond funds to pay debt service; and interest on customer deposits is transferred to the operating fund.

For local governments that use double-entry accounting (i.e., a general ledger), it is not necessary to establish separate legal funds for debt service, customer deposits, or construction projects of a utility or other proprietary-type function. This is true even though bond covenants may stipulate a "bond reserve fund," "bond construction fund," etc. The bond covenant use of term "fund" is not the same as the use in governmental accounting. For bond covenants, "fund" means only a segregation or separate account, not a self-balancing set of accounts. (See the 150 series of accounts in the BARS general ledger.)

The illustrations in Chapter 3 show the Option 1 water budget of the City of Example both ways: distributed among several "legal funds" and consolidated into one "water fund."

Under Option 1, annual budgets are not required for proprietary debt service (fund numbers 401.1, 401.2, and 401.3 in the "legal funds" example) and capital projects and special assessments (such as 402 and 404) may be budgeted on a project basis rather than annually. However, the annual anticipated revenues and outlays for all such funds should still be calculated and included in the comprehensive budget document.

Revenue

Note the level of detail provided for revenue items:

- Other than for intergovernmental revenues, the element level provides sufficient detail for budget purposes, although additional detail may be furnished if desired.

- When grants are a material anticipated resource, each grant should be separately identified by grant source code.

All budget reports in these examples include estimated and actual revenues as earned, NOT as received. So should yours: it is impossible to budget for timing differences a year in advance, and actual revenues should be on the same basis as the budgeted revenues.

Expenditures

The term "appropriation" is suitable for this expenditure budget because the amounts are "fixed" maximums authorized by the legislative body that adopted the budget.

Note the expenditure coding:

- The first 5 digits, 50l.34, indicate that the expenditures being budgeted are those of a water utility.

- The sixth digit is called the "object": each of the 9 objects is budgeted separately for each legal fund of the water utility.

The budget document should be prepared at the object level, but the budget should be legally adopted (appropriated) at the fund level.

The formats to use for Option 1 budgeting of proprietary funds are the same as those used for other annual appropriated operating budgets.

OPTION 2: Working Capital Budgeting

This method of budgeting was developed to provide flexible budgeting of day- to-day operations and to eliminate the need for dual accounting systems: one for budget and another for financial accounting.

First, current operations are flexibly budgeted to result in a specified level of new cash inflow from operations (the excess of revenues over expenses, excluding depreciation and other items that do not provide/require cash currently). This portion of the budget normally reflects the anticipated results of setting specific rates/charges for goods and services that the fund routinely furnishes.

Second, all long-range sources and uses of assets are controlled by fixed budgeting. This portion of the budget controls the dollars that will be accumulated or spent on expansion or replacement of facilities-what the proprietary fund uses to provide its goods and services.

Finally, this method may be used to monitor or control the liquidity of current resources by budgeting the amount of current resources that can be expended for less liquid current assets (such as inventory and prepayments) before it is necessary to consume those resources in providing services.

The amount of detail shown goes beyond what is required for legal adoption of a working capital budget. The first amount actually budgeted is the "Total Working Capital Provided by Operations." Similarly, the "Other Sources" and "Other Uses" should be adopted as total amounts although the detail should be included in the budget document. Estimated beginning working capital is also a budgeted resource.

The "Resources" and "Uses" columns are not a required part of the budget presentation; however, they are useful to nonaccountants because they parallel the budget presentation format for governmental type funds.

Budgetary integration is required for proprietary funds, just as for governmental type funds with annual/biennial appropriated budgets. However, the budget monitoring needs to be maintained only at the control account level (element digit). Budgetary control at the level of individual, detailed operating revenues and expense accounts is not required.

Neither this budget option nor Option l displays the reservations of fund equity that frequently play an important part in planning future capital outlays for a proprietary fund. It is possible to display such reservations in the budget document, but it is not necessary because those reservations are the result of separate, explicit action by the municipality's legislative body, recorded in the accounts when such action is taken.

The examples do illustrate another possibility-establishing "fixed" budgetary control over some working capital items, such as inventory or prepayments.

Fund Name			Working Capital Budget			City/County/District		
Program						Budget For Year _____	Page	
Department								
Account Number			Description	Resources	Uses	Next Year's Estimate	Current Year's Estimate	Changes Increase (Decrease)
Basub	Ele.	Object		(1)	(2)	(3)	(4)	(5)
			Enter account code titles from Chart of Accounts in Part 1, Chapters 3 and 4.	Columns: (1) Estimated revenues and other sources to be earned next year. (2) Estimated expenses and other uses to be incurred (3) Net budget for next year's operations. See the completed example for these calculations. (4) Net budget for current year's operations. (5) Changes from current year's operations subtract column 3 from column 4.				

Fund Name			Working Capital Budget			City/County/District		
Program						Budget For Year _____	Page	
Department								
Account Number			Description	Resources	Uses	Next Year's Estimate	Current Year's Estimate	Changes Increase (Decrease)
Basub	Ele.	Object		(1)	(2)	(3)	(4)	(5)

The individual budgets of funds, projects, and capital improvements are combined into a comprehensive budget document which summarizes, at the fund level, the entire planned resources and outlays for the budget period. This comprehensive budget contains subtotals which remove unbudgeted and continuing appropriations items to reconcile the comprehensive budget with the ordinance or resolution adopting the annual/biennial budget.

City/County/District			(Annual/Biennial) Comprehensive Budget		
Budget for Year _____	Page				
Fund Name	Resources	Uses	Increase (Decrease) in Fund Balance or Working Capital	Beginning Fund Balance or Working Capital	Ending Fund Balance or Working Capital

In consideration of the "lengthy and intense process" (RCW 35.34.010) associated with the adoption of a budget, the Legislature provided, in 1985, for biennial budgets for cities and towns. In 1995, the Legislature allowed counties to adopt ordinance/resolution providing for biennial budgets (RCW 36.40.250).

The process for adopting a biennial appropriated operating budget is the same as that for an annual budget. (Refer to Part 2, Chapter 2.) The schedule for submitting budget estimates, the proposed preliminary budget, budget hearings and budget adoption is also the same. However, presentation of the biennial budget in the annual financial statements issued during the biennium requires additional considerations.

In the first year of presentation, the two-year budget will be presented and compared to the actual expenditures of the first year.

In the second year, the two-year budget will be presented and compared to the actual expenditures of both years.

The second-year presentation requires a reconciliation of the second-year operating statement to the second-year budget versus actual statement. This reconciliation may be included in the notes. An example is provided in the following pages.

The column headings in the budgetary statement should indicate clearly the period(s) covered. The budget column heading should indicate the inclusive dates of the two-year period. The actual column heading should indicate whether the amounts represent one year or two years of expenditures.

The procedures for mid-biennium budget review and modification are described in Part 2, Chapter 1.

CHAPTER 3. BUDGET EXAMPLES

The following pages are intended to show the various communications and documents prescribed by this budgeting system. These examples are not intended to represent a complete city or county budget. Some of these documents contain statements and amounts that are inconsistent with other examples in this chapter. This was allowed in order to show a wider range of budget techniques and issues.

	Steps in Budget Preparation	Time Limitation: Cities (Chapter 35.33, 35A.33, 35.34, 35A.34 RCW)	Time Limitation: Counties (Chapter 36.40 RCW)
1.	Department heads are requested to prepare estimates of revenue and expenditures for the next fiscal year.	On or before the second Monday in September (see Note A).	On or before the second Monday in July.
2.	Estimates are to be filed with the city clerk/county auditor.	On or before the fourth Monday in September.	On or before the second Monday in August.
3.	Estimates are presented to the chief administrative officer for modification, revision, or additions.	On or before the first business day in October.	
4.	The chief administrative officer provides the legislative body with current information on estimates of revenues from all sources as adopted in the budget for the current year, together with the clerk's proposed preliminary budget. (RCW 35.33.135 and 35A.33.135)	No later than the first Monday in October.	
5.	The legislative body must hold a public hearing on revenue sources for coming year's current expense budget, including consideration of possible increases in property tax revenues.	Before legislative body votes on the property tax levy. Deadlines for levy setting are in step 6.	
6.	Setting tax levies (RCW 84.52.020, .070 and 35A.33.135)	On or before November 15 for cities--except Seattle and towns. On or before November 30 for Seattle and towns.	
7.	Upon receipt of the estimates, the auditor prepares the county budget and submits it to the board of county commissioners.		On or before the first Tuesday in September.
8.	Chief administrative officer prepares preliminary budget and budget message and files it with the city clerk.	At least 60 days before the ensuing fiscal year.	
9.	Clerk publishes notice of filing of preliminary budget with city clerk and publishes notice of public hearing on it once a week for two consecutive weeks.	Published during the first two weeks in November.	
10.	The legislative body, or a committee thereof, must schedule hearings on the budget or parts of the budget, and may require the presence of department heads.	Prior to the final hearing.[1]	

1 Since the statute does not specify form of notification, cities should follow their normal procedure.

	Steps in Budget Preparation	Time Limitation: Cities (Chapter 35.33, 35A.33, 35.34, 35A.34 RCW)	Time Limitation: Counties (Chapter 36.40 RCW)
11.	Copies of the preliminary budget are made available to citizens upon request (see Note B).	Not later than six weeks before January 1.	Two weeks prior to hearing.
12.	Budget hearing notice	Publish notice once for two consecutive weeks. State availability of budget at clerk's office and schedule for final public hearing.	Publish notice once for two consecutive weeks. State availability and location of budget. Advise of schedule for final public hearing.
13.	Final hearing on proposed budget	On or before first Monday of December, and may be continued to not later than the 25th day prior to next fiscal year.	On the first Monday in October (see Note C).
14.	Adoption of budget for next fiscal year. Send copies of final budget to the State Auditor's Office.	Adopt by ordinance. Following the public hearing and prior to the beginning of the ensuing fiscal year. Also, send a copy of the budget to the Municipal Research and Services Center.	Adopt by resolution. Following the public hearing and prior to the beginning of the ensuing fiscal year.
15.	Mid-biennial review and modification. Send copies of modified budget to the State Auditor's Office.	Provide by ordinance for this step. If provided for, shall occur no sooner than 8 months after start nor later than conclusion of first year of the fiscal biennium.	Adopt by ordinance/ resolution. Should occur no later than the conclusion of first quarter of the second year of the fiscal biennium.[1]

1 As prescribed by the State Auditor's Office (RCW 36.40.250).

NOTES:

A. Or at such other time as the city may provide by ordinance or charter (RCW 35.33.031 through 35.33.051).

RCW 35.33.031 actually provides "On or before the second Monday of the fourth month", etc. Therefore, pursuant to the state budget law, that step (and certain others) could be taken before the dates listed herein.

Budget requirements for first (under 300,000), second and third class municipalities are listed in Chapter 35.33 RCW, as amended, and for Cities under the Optional Municipal Code in Chapter 35A.33 RCW, as amended. Chapter 35.32A contains the budget law for cities over 300,000 population (Seattle).

B. The public records section of the Public Disclosure Law guarantees full access to information concerning the conduct of government, with exceptions made for privacy of individuals and efficient administration of government. Citizens participating in the budget process should be aware of their right to inspect and copy any document or public record needed in the evaluation of a county or city budget.

C. The law has established dates for the budget process allowing counties a great deal of flexibility through RCW 36.40.071, to set up alternate dates for budget hearings and other elements of the budget process. Several counties have chosen to set the budget hearings at a later date. Citizens are urged to contact their county commissioner regarding the exact dates for the budget hearing.

Sample

CALL LETTER

TO: All agencies and individuals responsible for submission of budgets

FROM: Designated budget officer

SUBJECT: Notice to file _(year)_ Budget Estimates

You are hereby notified to file, on or before _(date)_, itemized estimates of resources other than taxes, and of all expenditures/uses required by your office or department for the year _____. Please refer to the enclosed budget calendar for related deadlines.

The enclosed forms and instructions are provided for the preparation and submission of budget estimates. Please submit all estimates to the budget and finance department. Any questions regarding the procedures, instructions or forms should be directed to this office.

Your cooperation in meeting scheduled deadlines and responding to requests for additional information will be appreciated by all concerned.

NOTE: This letter may be combined with the *Goals and Priorities Statement*.

Sample

GOALS AND PRIORITIES STATEMENT

TO: (Statement should be addressed to all agencies and individuals responsible for submission of budgets.)

FROM: The Legislative Body

SUBJECT: Goals and Priorities (year)

The purpose of this statement is to advise everyone connected with the budget process of the overall plan for this community and of the priorities we have set to achieve our common goals.

We have made significant progress in overcoming the financial difficulties caused by the large general fund deficit. It is our hope that, by the end of fiscal 2002, we will no longer be in a deficit fund balance position. However, this does not mean that we have no severe fiscal problems. We will still have cash flow deficits in 2001. It is our intention to build up a modest fund balance in order to provide working capital to meet our expenditures during the entire year, without resorting to borrowing. There are also unavoidable operating expense increases anticipated in 2002 (e.g., staffing the new jail), which will place severe demands on available revenues.

There will be some resources available in 2002 for major capital expenditures. We have established a Capital Improvement Reserve Fund financed from one-half of the additional half cent sales tax. Therefore, at least $500,000 in 2002 will be allocated to capital items in excess of $50,000, following the guidelines we adopted in early 2001.

Although the rate of inflationary increases has abated somewhat in the last year, we still anticipate that cost increases will be a major problem in 2002 (particularly for utilities). We do intend to provide for moderate salary increases next year, and will attempt to budget accordingly. Based on limited revenues, we should not expect to expand operating programs or hire additional personnel unless expenses can be cut elsewhere or compensating revenue generated.

In light of these objectives and constraints, we are requesting departments to again submit their 2002 budgets based upon current staffing levels and current levels of other budget items. These budget requests should only be increased over the 2001 budgets to take into account anticipated inflationary increases. If you feel strongly that adjustments to your current budget allocations should be made for 2002, a supplemental budget request may be submitted. We would caution you to submit as supplemental budget requests only those items which you feel are absolutely necessary for the effectiveness of your operation, and which can be cost-benefit justified where feasible. We are also requesting each department to scrutinize its operation for ways to reduce costs without significantly affecting operational performance.

Note: It is the intention of this letter to provide managers responsible for budget submissions with guidance concerning the policies and priorities of the legislative body.

Sample

BUDGET MESSAGE

TO: The Legislative Body

FROM: Budget Officer

SUBJECT: Budget Request - (Fiscal Year)

I am pleased to submit for your consideration the 2002 proposed Annual Budget for the City of Example.

Proposed expenditures for 2002, stated on a comparative basis with 2001 and with actual expenditures for 2000 are as follows:

	Expenditures 2000	Budget 2001	Proposed 2002
Classified Proprietary Services	$1,563,043	$1,850,299	$2,059,135
General Government Services	370,285	418,911	443,142
Security of Persons and Property	1,044,325	1,161,045	1,231,111
Utilities and Environment	285,636	296,211	288,968
Transportation	394,360	400,265	577,570
Economic Environment	11,000	11,000	12,500
Mental and Physical Health	12,588	17,600	13,700
Culture and Recreation	287,675	303,865	332,987
Total Appropriations	$3,968,912	$4,459,126	$4,959,113
Estimated Other Financing Uses:			
Transfers Out	793,968	754,358	765,310
Total Estimated/Uses	$4,762,880	$5,223,484	$5,724,423

The budget as proposed is approximately 9.6% higher than 2001 primarily due to increases in proposed expenditures for streets and proposed water, sewer and equipment rental capital expenditures.

The budget is balanced by a proposed levy of $1,231,934 for general fund purposes, $92,316 for Ambulance and Emergency Aid and $48,160 for General Obligation Debt Service.

The estimated yield from retail sales and use taxes is $271,000, only slightly higher than anticipated for 2001. It is difficult to predict sales tax revenue due to economic fluctuations and construction projects in process in the city.

Budgeted funds do not include any estimated balance to be carried over from the general fund from 2001.

Since Example, unlike other cities, does not collect utility taxes other than natural gas and cable television, it is not anticipated there will be any significant increases in revenue from any source other than property tax.

Estimated revenues for 2002 compared to amounts received in 2000 and the latest estimates for 2001 are as follows:

	Actual 2000	Estimated 2001	Estimated 2002
Estimated Beginning Fund Balance	$1,017,155	$ 427,129	$ 420,018
Taxes	1,174,141	1,333,150	1,666,816
Licenses and Permits	26,305	23,850	23,250
Intergovernmental Revenues	356,806	428,469	570,964
Charges for Goods and Services	1,718,593	1,863,953	1,782,546
Fines and Forfeits	77,342	83,500	80,500
Miscellaneous Revenues	607,138	185,975	411,919
Total Estimated Revenues	3,960,325	3,918,897	4,535,995
Total Other Estimated Financing Sources	809,845	877,458	786,410
Total All Estimated Resources	$5,787,325	$5,223,484	$5,724,423

PERSONNEL

Personnel changes in the budget include an additional engineering technician for one-half year in the engineering budget, bringing this staff back to seven people. The ambulance and emergency aid budget includes five paramedics for the complete year as compared to five for one-half year in 2001. The budget includes the position of public works maintenance superintendent, who is the field supervisor for all public works maintenance activities.

Union contracts are being negotiated with three union groups at the present time. The budget does not provide for any salary increase other than normal progressive step increases for those not presently at the top of their position class range.

LAW ENFORCEMENT, FIRE CONTROL AND COMMUNICATIONS

Total costs for law enforcement, fire control and communications are up 6.7% from $925,596 to $987,157. The primary increases are in the area of communications which include funds for radio equipment and replacing volunteer and regular firefighters monitor receiving equipment.

GENERAL

$1,200 is appropriated for the city's contribution to the Air Pollution Control Authority, the same as 2001. $4,000 is budgeted for general services of the Regional Planning Commission. $16,825 is appropriated for animal control compared to $15,000 for 2001. $13,700 is budgeted for public health and substance abuse programs.

EQUIPMENT RENTAL

Appropriations for the equipment rental operation are $445,506. $206,318 was appropriated for 2001. Several pieces of equipment are in need of being replaced including a 20-yard refuse compactor truck, 1/2-ton pickup, 1-ton dump truck, tractor mower, two police vehicles and a utility trailer. A vacuum sewer cleaner vehicle may be purchased if funds are available.

Many desirable capital improvements such as storm sewer, street resurfacing and rebuilding, and park improvements are not included in the 2002 budget. Hopefully, an increase in the city's tax base for 2003 and beyond will permit the inclusion of some of these essential projects.

Very truly yours,

_____

Mayor

SAMPLE BUDGET ORDINANCE

Ordinance No. _____

An ordinance adopting the budget for the City of Example, Washington, for the fiscal year ending December 31, 2002.

WHEREAS, the mayor of the City of Example, Washington completed and placed on file with the city clerk a proposed budget and estimate of the amount of the moneys required to meet the public expenses, bond retirement and interest, reserve funds and expenses of government of said city for the fiscal year ending December 31, 2002, and a notice was published that the council of said city would meet on the 3rd day of December, 2001 at the hour of 7:00 p.m., at the council chambers in the city hall of said city for the purpose of making and adopting a budget for said fiscal year and giving taxpayers within the limits of said city an opportunity to be heard upon said budget; and

WHEREAS, the said city council did meet at said time and place and did then consider the matter of said proposed budget; and

WHEREAS, the said proposed budget does not exceed the lawful limit of taxation allowed by law to be levied on the property within the City of Example for the purposes set forth in said budget, and the estimated expenditures set forth in said budget being all necessary to carry on the government of said city for said year and being sufficient to meet the various needs of said city during said period.

NOW, THEREFORE, the City Council of the City of Example do ordain as follows:

Section 1. The budget for the City of Example, Washington, for the year 2002 is hereby adopted at the fund level in its final form and content as set forth in the document entitled (give exact title of your budget book), three copies of which are on file in the Office of the Clerk.

Section 2. Estimated resources, including fund balances or working capital for each separate fund of the City of Example, and aggregate totals (net of transactions between funds) for all such funds combined, for the year 2002 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 2002 as set forth below:

Fund	Department	Amount
General	Legislative	$15,060
	Judicial	26,970
	Executive	6,840
	Financial and Administrative	179,913
	Legal	26,099
	Personnel	7,900
	Other Governmental Services	87,000
	Law Enforcement	608,886
	Fire Control	301,646
	Detention and/or Correction	1,300
	Emergency Services	2,450
	Communications	42,195
	Facility Engineering	261,095
	Pollution Control	1,200
	Planning	6,350
	Other Physical Environment	19,325
	Health	13,700
	Parks and Recreational Facilities	99,050
	Other Financing Uses-Interfund	516,935
	Total General Fund	$2,223,914

Fund	Department	Amount
City Street		$360,100
Arterial Street		323,000
Library		220,537
Emergency Rescue		229,834
Fire Equipment Cumulative Reserve		1,370
Other Financing Uses-Interfund Transfers		61,820
1991 General Obligation Street Bond Redemption		31,310
1995 Library General Obligation Bond Redemption		16,850
City Sanitary		378,874
Water		1,032,702
Other Financing Uses-Interfund Transfers		186,553
1995 Water-Sewer Bond Redemption		168,803
Farmers Home Administration Bond Redemption		17,750
Equipment Rental		445,506
Unemployment Compensation		15,500
Firemen's Pension		10,000
Total All Funds		$5,724,423

Section 3. The City Clerk is directed to transmit a certified copy of the budget hereby adopted to the State Auditor's Office and to the Association of Washington Cities.

Section 4. This ordinance shall be in force and take effect five (5) days after its publication according to law.

Passed by the council and approved by the mayor this 3rd day of December, ____.

Signed _____ Attest _____

Mayor Clerk

Approved as to Form:

_____

City Attorney

The following principles of accounting and financial reporting are based on those set forth in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The BARS manual permits accounting and financial reporting that conforms to these principles in all respects and requires Category 1 municipalities to account and report in conformity with these principles, except that the annual report required is not as extensive as the Comprehensive Annual Financial Report (CAFR).

ACCOUNTING AND REPORTING CAPABILITIES

1. A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities at the government in conformity with generally accepted accounting principles; and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

FUND ACCOUNTING SYSTEMS

2. A governmental accounting system should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Fund financial statements should be used to report detailed information about primary government, including its blended component units. The focus of governmental and proprietary fund financial statements is on major funds.

TYPES OF FUNDS

3. In fund financial statements, governments should report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using these funds.

   Presented below is a system to classify all funds used by local government and the assignment of code numbers to identify each type of fund. A three digit code is used: the first digit identifies the fund type and the next two digits will be assigned by the governmental unit to identify each specific fund.

Governmental Funds

Code	
000	General (Current Expense) Fund - to account for all financial resources except those required to be accounted for in another fund.

100 Special Revenue Funds - to account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes (see note after 300 series).

Arterial Highways (RCW 46.68.115)[1]
Auditor's Operation and Maintenance Fund (RCW 36.22.170)
Cemetery
City or Town Property Redemption (RCW 35.44.130)
City Street[1]
Contingency
County Arterial Preservation
County Land Assessment (RCW 36.33.120)
County Road
Cumulative Reserve (RCW 35.212.070 and 36.33.020)
Emergency
Health
Hotel/Motel Tax (Chapter 67.28 RCW)
Jail Industries (RCW 36.110.090)
Library
Park
Rural Arterial Projects
Transportation Improvement Board
Treasurer's Operation and Maintenance Fund (RCW 84.56.020)

200 Debt Service Funds - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. *NOTE: Includes special assessment guaranty funds per GASB Statement 6.*

300 Capital Projects Funds - to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Arterial Highways (RCW 46.68.115)
Building
Construction
County Arterial Preservation
County Road Projects
Library Improvement
Reserve
Rural Arterial Projects
Street Improvement
Transportation Improvement Board

NOTE: Activities in all of the preceding funds may be properly classified as activities of a "special revenue" or a "capital projects" fund type: Road Fund, Street Fund, Arterial Street, Rural Arterial Projects, Transportation Improvement Board (TIB). Any county or city may classify all of these funds as "special revenue" funds; or may separately classify the construction activities in "capital projects" funds.

700 Permanent Fund – to account for resources that are legally restricted so only earnings, not a principal, may be used to support the reporting government programs for the benefit of the government or its citizens (public-purpose).

Cemetery
Library
Museum

[1] Cities or towns with populations under 15,000 may combine the street and arterial highways funds.

Proprietary Funds

400 Enterprise Funds – an enterprise fund may be used to report any activity for which a fee is charged to external users for goods or services. An enterprise fund is also required for any activity whose principal revenue sources meet any of the following criteria:

- Debt backed solely by fees and charges. If issued debt is backed solely by fees and charges, an enterprise fund must be used to account for the activity.
- Legal requirement to recover cost. An enterprise fund must be used if the cost of providing services for an activity (including capital costs such as depreciation or debt service) must legally be recovered through fees or charges.
- Policy decision to recover cost. It is necessary to use an enterprise fund if the government's policy is to establish activity fees or charges designed to recover the cost of providing services (including capital costs such as depreciation or debt service).

In addition, GAAP mandate the use of enterprise funds for the separately issued financial statement of public-entity risk pools. Public-entity risk pools also are accounted for as enterprise funds when they are included within a sponsoring government's report, provided the sponsor is not the predominant participant in the arrangement. Otherwise, they can use the general fund.

Airport
Ambulance
Cemetery
Convention Centers
Electric
Ferry
Garbage Collection
Gas
Golf Courses
Hospitals and Convalescent Centers
Libraries
Marinas
Multipurpose Centers
Museum
Parking
Railroad
Sewer
Solid Waste Disposal
Stadium
Storm Drainage
Swimming Pools
Transit
Water

NOTE: Separate funds are not required for bond redemption, construction, reserves, or deposits, for any utility that is accounted for on the full accrual basis, using either the BARS accounts or a nationally recognized utility chart of accounts such as FERC or NARUC. Separate funds are not required even though bond covenants may stipulate a "bond reserve fund," "bond construction fund," etc. The bond covenant use of the term "fund" is not the same as the use in governmental accounting. For bond covenants, "fund" means only a segregation or separate account, not a self-balancing set of accounts. (See account 150 in the general ledger chart of accounts.)

500 Internal Service Funds - to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, or to other government, on a cost-reimbursement basis.

Asphalt Manufacturing
Communications/Alarm/Dispatch
Data Processing
Equipment Rental
Mechanical Shops
Pits and Quarries
Printing and Duplication
Property Management
Purchasing and Central Stores
Risk Management
Unemployment Compensation
Worker's Compensation

Fiduciary Funds

600 Fiduciary Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) private-purpose trust funds, (b) pension (and other employee benefit) trust funds, (c) investment trust funds, and (d) agency funds.

601-610 Private-Purpose Trust Funds. Funds used to report all trust arrangement under which principal and income benefit individual, private organization and other government.

Escheat

611-620 Pension (and Other Employee Benefit) Trust Funds.

Firemen's Pension
Policemen's Pension

621-630 Investment Trust Funds. Funds used to report the external portion of investment pools by sponsoring government.

631-699 Agency Funds.

Claims Clearing
Criminal Justice Training
District Court Suspense
Districts (Television, School, Conservation, PUD, Water, Sewer, Health, Hospital, Port, Cemetery, etc.)
DUI Penalties
Fiscal Agency Clearing
Forest Board
Forest Patrol
Judge's Salary
Payroll Clearing Salary
Public Safety Education Assessment
Real Estate Excise Tax
State General
Treasurer's Suspense
Winter Recreational Parking

NUMBER OF FUNDS

4. Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

   Note that judicious use of available account coding can often satisfy legislative intent.

REPORTING CAPITAL ASSETS

5. A clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds. Capital assets of proprietary funds should be reported in both the government-wide and fund financial statements Capital assets of fiduciary funds should be reported only in the statement of fiduciary net assets. All other capital assets of the governmental unit are general capital assets. They should not be reported as assets in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

VALUATION OF CAPITAL ASSETS

6. Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

DEPRECIATION OF CAPITAL ASSETS

7. Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets using the modified approach. Inexhaustible assets such as land and land improvements should not be depreciated. Depreciation expense should be reported in the government-wide statement of activities; the proprietary fund statement of revenues, expenditures, and changes in fund net assets; and the statement of changes in fiduciary net assets.

REPORTING LONG-TERM LIABILITIES

8. A clear distinction should be made between fund long-term liabilities and general long-term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net assets and in the government-wide statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds should be reported in the statement of fiduciary net assets. All other unmatured general long-term liabilities of the governmental unit should not be reported in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING IN THE BASIC FINANCIAL STATEMENTS

9. **Government-Wide Financial Statements**

   The government-wide statement of net assets and statement of activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, assets, and liabilities resulting from nonexchange transactions should be recognized in accordance with the GASB Statements 24 and 33.

Fund Financial Statements

In fund financial statements, the modified accrual or accrual basis of accounting, as appropriate, should be used in measuring financial position and operating results.

a. Financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term liabilities, which should be recognized when due.

b. Proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets should be presented using the economic resources measurement focus and the accrual basis of accounting.

c. Financial statements of fiduciary funds should be reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans.

d. Transfers should be reported in the accounting period in which the interfund receivable and payable arise.

NOTE: The various fund types may be grouped in the following manner to more clearly portray their relationship to an accounting basis:

Flow of Current Financial Resources Measurement Focus Funds - use the modified accrual basis:

000	General (Current Expense) Fund
100	Special Revenue Funds
200	Debt Service Funds
300	Capital Projects Funds
700	Permanent Funds

Flow of Economic Resources Measurement Focus Funds - use full-accrual basis:

400	Enterprise Funds
500	Internal Service Funds
601-610	Private Purpose Trust Funds
611-620	Pension (and Other Employee Benefit) Trust Funds
621-630	Investment Trust Funds
631-699	Agency Funds

BUDGETING, BUDGETARY CONTROL, AND BUDGETARY REPORTING

10. a. An annual/biennial budget should be adopted by every governmental unit.

b. The accounting system should provide the basis for appropriate budgetary control.

c. Budgetary comparison schedules should be presented as required supplementary information for the general fund and for each major special revenue fund that has a legally adopted annual/biennial budget. The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period ad well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis.

TRANSFER, REVENUE, EXPENDITURE, AND EXPENSE ACCOUNT CLASSIFICATIONS

11. a. Transfers should be classified separately from revenues and expenditures or expenses in the basic financial statements.

    b. Proceeds of general long-term debt issues should be classified separately from revenues and expenditures in the governmental fund financial statements.

    c. Governmental fund revenues should be classified by fund and source. Expenditures should be classified by fund, function (or program), organization unit, activity, character, and principal classes of objects.

    d. Proprietary fund revenues should be reported by major sources, and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

    e. At a minimum, the statement of activities should present:

       (1) Activities accounted for in governmental funds by function, to coincide with the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances
       (2) Activities accounted for in enterprise funds by *different identifiable activities.*

COMMON TERMINOLOGY AND CLASSIFICATION

12. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

ANNUAL FINANCIAL REPORTS

13. a. General purpose external financial reports should be prepared and published. They should include, at a minimum:

       (1) Management's discussion and analysis (MD&A).
       (2) Basic financial statements. The basic financial statements should include:
           (a) Government-wide financial statements.
           (b) Fund financial statements.
           (c) Notes to the financial statements.
       (3) Required supplementary information other than MD&A.

    b. The statements and reports listed above follow <u>national standards</u> of financial reporting. They should not be confused with <u>legal reporting requirements</u>, which are prescribed by the State Auditor's Office for all local governments in Washington State. The legal requirements are consistent with these national standards, but they are not identical. Specific legal reporting requirements are contained in Part 4.

    c. A comprehensive annual financial report may be prepared and published, covering all activities of the primary government (including its blended component units) and providing an overview of all discretely presented component units of the reporting entity-including introductory section, management's discussion and analysis (MD&A), basic financial statements, required supplementary information other than MD&A, combining and individual fund statements, schedules, narrative explanations, and statistical section. The reporting entity is the primary government (including its blended component units) and all discretely presented component units.

d. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity' basic financial statements to be misleading or incomplete. The reporting entity's government-wide financial statements should display information about the reporting government as a whole distinguishing between the total primary government and its discretely presented component units as well as between the primary government's governmental and business-type activities. The reporting entity's fund financial statements should present the primary government's (including its blended component units, which are, in substance, part of the primary government) major funds individually and nonmajor funds in the aggregate. Funds and component units that are fiduciary in nature should be reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

e. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, joint venture, jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements. For all of these entities, the provisions the GASB Statement 14 should be applied in layers "from the bottom up" At each layer, the definition and display provisions should be applied before the layer is included in the financial statements of the next level of the reporting government.

There are three primary authoritative sources of generally accepted accounting principles (GAAP) for local governments:

1. GASB - Governmental Accounting Standards Board

2. FASB - Financial Accounting Standards Board

3. AICPA - American Institute of Certified Public Accountants

AICPA's Statement on Auditing Standards (SAS) No. 69 promulgates the new GAAP hierarchy for state and local governments. The new hierarchy replaces the one which has been in effect since the establishment of GASB in 1984.

The GAAP hierarchy, as prescribed by SAS No. 69, has four categories of sources of accounting principles:

a. GASB Statements and Interpretations, AICPA and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements and Interpretations.

b. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

c. AICPA Accounting Standards Executive Committee Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, and GASB Emerging Issues Task Force Consensus Positions.

d. Implementation guides ("Qs and As") published by the GASB and practices that are widely recognized and prevalent in state and local government. Also Audit and Accounting Guides/Statement of Position (if specific to government, but not cleared by GASB).

e. Other sources: Concept Statements, pronouncements of the FASB not otherwise applicable, textbooks, articles.

In the absence of established pronouncements, the state and local governmental entities may consider other accounting literature. Other accounting literature includes, for example, GASB Concept Statements; pronouncements establishing accounting principles for nongovernmental entities when not specifically made applicable to state and local governments; Accounting Principal Board (APB) Statements; FASB Concepts Statements; AICPA Issues Papers; International Accounting Standards Committee (IASC) Statements; pronouncements of other professional associations or regulatory agencies; AICPA *Technical Practice Aids*; and accounting textbooks, handbooks, and articles.

GAAP for Proprietary Activities

GASB Statement 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, provides additional guidance for establishing a GAAP hierarchy for proprietary activities.

Proprietary funds or entities using proprietary accounting should apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

FASB Statements and Interpretations;
APB Opinions; and
Accounting Research Bulletins (ARBs).

In addition, a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

A proprietary activity should apply all or none of the FASB pronouncements issued after November 30, 1989. The same application of FASB pronouncements is encouraged to be used for all proprietary activities, including component units, in the general purpose financial reports of the financial reporting entity. The provisions of the Statement are effective for annual financial statements for fiscal years beginning after December 15, 1993. (Refer to GASB Statement 20 for additional details.)

Ordering Information

The GASB publications are available from:

GASB Order Department
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

The two major FASB publications are:

Two-volume Current Text and five-volume Original Pronouncements

The FASB Current Text is an integration of current accounting and reporting standards. Material in the Current Text is drawn from AICPA Accounting Research Bulletins, Accounting Principles Board (APB) Opinion, FASB Statements of Financial Accounting Standards and FASB Interpretations. It also incorporates the supplemental guidance provided by FASB Technical Bulletins and AICPA Accounting Interpretations. The FASB Original Pronouncements contain original texts of: Accounting Research Bulletins, APB Opinions and Statements, AICPA Interpretations, Accounting Terminology Bulletins, FASB Statements, Interpretations, Concepts and Technical Bulletins.

Both publications are updated annually and are available from:

FASB Order Department
PO Box 888-B
Stanford, CT 06904

(Some of the FASB publications are available through the AICPA with membership discounts.)

The AICPA publications are available from:

AICPA Order Department
PO Box 2209
Jersey City, NJ 07303-2209

INTRODUCTION

This section contains the internal control standards to be followed by local governments in establishing and maintaining systems of internal control. Internal control systems are to reasonably ensure that the following objectives are achieved:

Expenditures and commitments comply with applicable law.

Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

Transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.

The following concept of internal control is useful in understanding and applying the internal control standards set forth and discussed on succeeding pages:

> An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The ultimate responsibility for good internal controls rests with management. Internal controls should not be looked upon as separate, specialized systems. Rather, they should be recognized as an integral part of each system that management uses to regulate and guide its operations. In order to ensure the proper conduct of government business, management must periodically review its internal control systems. This review should be sufficient in scope to provide the answers to several basic questions:

- Are the systems we have in place adequate to manage and account for our resources, meet our goals and objectives, and insure compliance with state and federal regulations?

- Is there an audit trail from our reports to our source documents or will we have to rely on someone to "remember" the facts?

- Are all our departments properly using the systems we have in place and are they complying with our internal policies and procedures?

- Have we strengthened our system of internal control by segregating duties among our employees to provide crosschecks and by providing for the physical security of our assets (e.g., official prenumbered receipts, locking cash drawers, regular inventories, etc.) to the maximum extent practicable?

These are the broad questions your auditor will also seek to answer through the course of his or her audit. If you are satisfied with the results of your review, then there is a much greater likelihood that your auditor will also be satisfied. If you identify problem areas, then you have an opportunity to discuss them with your auditor and to correct them before the auditor is obliged to comment on the problems in his or her report.

The following internal control standards, based on those established by the U.S. General Accounting Office, define the minimum level of quality acceptable for internal control systems in operation and constitute the criteria against which systems will be evaluated. These internal control standards apply to all operations and administrative functions but are not intended to limit or interfere with duly granted authority related to development of legislation, rulemaking, or other discretionary policymaking in an agency.

INTERNAL CONTROL STRUCTURE

Introduction

These internal controls policies are based on the 1994 report issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and standards adopted by the American Institute of Certified Public Accountants and the federal Office of Management and Budget.

Internal control is defined in the COSO report as follows:

> Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
>
> - Effectiveness and efficiency of operations
> - Reliability of financial reporting
> - Compliance with applicable laws and regulations

What does this mean for local entities?

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Basic internal control requirements

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

An internal control system should provide *reasonable assurance* that an entity will accomplish its objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived from it. Reasonable assurance equates to a satisfactory level of confidence given considerations of costs, benefits, and risks.

The entity's management must identify and analyze the own risks to determine how those risks should be managed. Management defines the level of risk that the entity is willing to accept and strives to maintain risks within those levels.

Each entity should adopt methods to assess risk and review control activities. The methods developed should address each entity's own specific needs.

Components of internal controls

The five components of good internal controls within a management control system are:

1. **Control environment** - The control environment sets the tone of an entity. It influences the control consciousness of its people and it is the foundations for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values, and competence of the entity's staff; management's philosophy and operating style; the way management assigns authority and responsibility; the way management organizes and develops its staff; and the attention and direction provided by the board.

2. **Risk Assessment -** Every entity faces a variety of risks from external and internal sources, all of which must be assessed. Risk assessment is the identification and analysis of relevant risks to achieving the objectives and forms a basis for determining how risks should be managed. Because economic, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

3. **Control Activities** - Control activities are the internal policies and procedures that help ensure management directives are carried out. They help ensure necessary actions are taken to address risks to achieving the government's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, review of operating performance, security of assets and segregation of duties.

4. **Information and Communication** - Pertinent information must be identified, captured, and communicated in a form and time frame that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial, and compliance related information, making it possible to run and control the entity.

   Effective communication is also essential with external parties, such as taxpayers, vendors, legislators and other interested parties.

5. **Monitoring -** Management systems and internal activities need to be monitored to assess the quality of their performance over time. Assessment is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the course of operations, including regular management and supervisory activities and other action personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Deficiencies should be reported upstream, with serious matters reported to top management.

Answers to some common questions about internal control

What is a risk assessment?

A risk assessment is an ongoing process to identify, analyze, and manage risk. An entity needs a plan to identify both external and internal risks. The plan will help management understand how those risks affect their activities, assess their significance, manage their effect and provide for continuous monitoring. The following are some examples of external and internal risks:

- External risks arise from activities outside the entity. Technological developments, changing public expectations, legislative directives, natural catastrophes and economic changes all have the potential for creating external risks in a entity.

- Internal risks are less predictable and arise from activities inside the entity. Disruption of the computer systems or telephone systems causes obvious operational problems. When new managers are hired, changes in management style can affect internal control objectives.

How do you identify risks?

Identification of risks can start from existing systems. The budget process, audits, strategic planning, and other chapters included in this manual all provide opportunities for managers to conduct quantitative and qualitative reviews and to identify and prioritize. More informal opportunities include management planning meetings, meetings with auditor, and everyday interaction with staff.

More important than the specific method used to identify risks is management's careful consideration of factors unique to the entity. Some key factors, such as an entity's past experience in failing to meet objectives, staff quality, statutory framework, or the significance and complexity of activities in relation to the entity's mission, should receive management's careful consideration.

By analyzing organizational activities, managers apply risk assessment to functions. Successfully managing risk at the activity level is vital to maintaining an acceptable level of risk for the organization.

What is risk analysis?

Risk analysis involves a careful, rational process of estimating the significance of a risk, assessing the likelihood of its occurrence and considering what actions and controls need to be taken to manage it. Risk analysis also involves estimating the cost to the entity if something does go wrong. That analysis is based on the entity's assumptions about the risk and costs associated with reducing it. Sometimes an actual risk may appear to require one set of actions, but the perceived risk coupled with media reaction to that risk, requires a more expensive set of actions.

It is also important to recognize the distinction between risk assessment (a part of a management control system) and actually managing risk (part of an organization's operations). Limitations on resources will define the level to which risks can be managed.

How do you control or minimize risk?

Control of risk starts with management deciding on the actions necessary to reduce the potential occurrence and significance and the monitoring conditions to remain aware of changing circumstances. Management tools for an early warning system include information systems and ensuring appropriate data is captured, processed, and reported.

If an entity builds its components of a management control system into its planning efforts as well as its daily activities, it is more likely to avoid unnecessary costs; make quick responses as needs arise; and adapt to decreasing resources and changing political and economic climates.

Do control activities increase staffing requirements?

Although control activity procedures are not intended to increase staffing levels, acceptable procedures are to be established and followed which may require changes in existing workloads and/or additional staff position (s). However, a periodic thorough internal review of control activities may identify policies and procedures that are no longer required. It is recognized that some small to medium entities may not be able to institute internal controls on the same level as larger, more complex entity's. In those cases where staffing may prohibit or restrict the appropriate segregation of duties, management must either have more active oversight of operations or utilize personnel from other organizational units to the extent possible as compensating controls.

More about control activities

The control activities presented in this section are intended to provide management and other staff with an overview, the use and potential limitations of control activities to manage the risk of achieving the entity's objectives.

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to the achievement of an entity's objectives. Control activities occur throughout the entity at all levels and in all functions.

Control activities are actions taken to minimize risk. The need for a control activity is established in the risk assessment process. When the assessment has identified a significant risk to the achievement of an objective, a corresponding control activity should be determined. If control activities are in place for each significant operation and if management makes sure those activities are carried out properly, staff can be reasonably confident the management control system will provide the necessary assurances.

Control activities and procedures should be considered to ensure the entity is in compliance with the BARS Manual, the Revised Code of Washington, the Code of Federal Regulations, the Washington Administrative Code and other applicable regulatory policies. Generally, those activities and procedures may be categorized into one of the following areas and completed by personnel at various levels:

- **Top-level performance reviews -** Performance reviews should be made of actual performance versus budgets, forecasts, and performance in prior periods. Major initiatives should be tracked and management actions taken to analyze and follow up where appropriate.
- **Direct functional or activity management reviews -** Performance reviews should be made of specific functions or activities. The reviews may focus on compliance, financial, or operational issues.
- **Informational processing -** A variety of control activities should be performed to check the accuracy and completeness of information as well as the authorization of transactions. Development of new systems, and changes to existing ones should be controlled. Additionally, access to programs and data should be restricted.
- **Physical controls -** Equipment, inventories, cash and other assets should be secured physically and periodically counted and compared with amounts shown on control records.
- **Performance indicators -** Certain operating results can be anticipated. By investigating unexpected results or unusual trends, circumstances that jeopardize the achievement of objectives can be identified.
- **Segregation of duties -** Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for authorizing transactions, recording them and handling the related assets should be separated.

What are some potential limitations of control activities?

Control activities, no matter how well designed and executed, can provide only reasonable assurance regarding achievement of objectives. The likelihood of achievement is affected by limitations inherent in all control systems. These limitations include the following:

- **Judgment -** The effectiveness of controls will be limited by the fact that decisions must be made with human judgment in the time available, based on information at hand, and under the pressures to conduct business.
- **Breakdowns -** Even if control activities are well designed, they can break down. Personnel may misunderstand instructions or simply make mistakes. Errors may also stem from new technology and the complexity of computerized information systems.
- **Management override -** Even in effectively controlled organizations, high level personnel may be able to override prescribed policies or procedures for personal gain or advantage. This should not be confused with management intervention, which represents management actions to depart from prescribed policies or procedures for legitimate purposes.
- **Collusion -** between two or more individuals can result in control failures. Individuals acting collectively often can alter financial data or other management information in a manner that cannot be identified by the control system.
- **Cost vs. benefit -** In determining whether a particular control activity should be established, the risk of failure and the potential effect must be considered along with the cost of establishing the control. Excessive control is costly and counterproductive. Too little control presents undue risk. Entities should make a conscious effort to strike an appropriate balance.

Attachment 1

COMMON EVENT CYCLES AND SUGGESTED CONTROL OBJECTIVES IN FEDERAL AGENCIES

This attachment presents a list of event cycles commonly found in Federal agencies and agency components. Also included are certain types of assets that are highly susceptible to loss and for which controls are vital, e.g., cash, materials and supplies. Finally, the list provides suggested control objectives for each event cycle/type of asset.

Event cycles are the processes used to initiate and perform related activities, create the necessary documentation, and gather and report related data. In other words, an event cycle is a series of steps taken to get something done. Each program and administrative function performed within an agency or agency component contains one or more event cycles. For example, an entitlement program could contain the following event cycles: information gathering and verification, eligibility determination, information processing and record keeping, payment, and monitoring. The event cycles for an administrative function could include payroll, procurement of supplies and materials, correspondence handling, etc.

The purpose of the list is to help agencies and agency components identify the event cycles and types of assets and control objectives that need to be considered when performing internal control reviews. The list is neither all inclusive nor mandatory. Agencies will probably operate event cycles not included on the list and certainly will not operate all cycles included in the list. Also, internal control objectives listed may not be appropriate for a particular situation. Accordingly, each agency should use this list as a guide to identify event cycles and develop internal control objectives for its programs and administrative functions that are covered by these guidelines. (Similar lists are available from the General Accounting Office, professional associations, and private organizations.)

Finally, in establishing control objectives and control techniques, as well as in performing internal control reviews, agencies should be mindful of the inherent limitations (budget constraints, statutory and regulatory restrictions, staffing limitations, etc.) which constrain agency action. Such limiting factors need to be considered in determining whether there is reasonable assurance that the control objectives are being achieved.

I. OPERATIONS CYCLES

The operations cycles are intended to encompass the agency's program activities that are subject to these guidelines. The differences in agency missions make it impossible to develop a representative list of operations cycles and corresponding control objectives. Hence, each agency/agency component should examine its own programs and define the appropriate event cycles and control objectives.

The following are the operations cycles for some typical government programs and the internal control objectives for these cycles.

A. Production Activities

The primary internal control objectives normally associated with production activities include the following:

1. A production plan is authorized defining the products to be manufactured, the timing and quantities of production, and the needed inventory levels.

2. Lead time schedules are timely and accurate and permit realistic due dates.

3. Product quality and engineering standards exist and are monitored to ensure that quality products are produced as efficiently as possible.

4. Production controls exist to ensure that the plant is operating with the optimum mix of resources including labor, equipment, and materials.

5. Production controls exist to prevent the manufacture of unauthorized products or quantities of products.

6. Resources used and products completed are timely and accurately reported.

7. Production costs are computed accurately and recorded timely.

8. Recorded balances of inventory, property, and related activity are periodically substantiated and evaluated.

B. Loans and Loan Guarantees

The primary internal control objectives normally associated with loans and loan guarantees include the following:

1. Applications for loans and loan guarantees are evaluated for appropriateness of eligibility, collateral, if required, and other qualifying criteria prior to approval.

2. Security interest in property used as collateral is properly recorded, filed, and documents secured by a responsible custodian.

3. Accurate receivables agings are prepared systematically and timely.

4. Loan and loan guarantee repayments are collected, controlled and reported in a manner that is consistent with applicable appropriations, other law, and policy.

5. Periodic estimates are made of uncollectible loan balances with such estimates timely reported to management.

6. Proper write-off, conversion, and settlement or forgiveness of delinquent loans is assured.

C. Grants

The primary internal control objectives normally associated with grants include the following:

1. Accurate maintenance of the factors used in distribution formulae for entitlement grants.

2. Grantees' program eligibility requirements are sufficiently detailed to ensure that the program beneficiaries and other interested parties understand the qualifications to receive prescribed benefits.

3. Grantees maintain sound organizational, budgetary and accounting systems that are periodically reviewed and evaluated.

4. Grantees' procurement procedures comply with regulations.

5. Grantees properly maintain, safeguard, and account for government financed property and equipment.

6. Grantees maintain current cost allocation plans and overhead rates.

7. Grantees are paid only for allowable costs and amounts.

8. Financial and compliance audits of grantee activity are performed at least once every two years.

9. Prompt and appropriate grant close-out actions are taken.

II. INTERNAL MANAGEMENT AND ADMINISTRATION CYCLES

A. Organization

The primary internal control objective normally associated with organization includes the following:

1. Responsibility for the performance of all duties is specifically assigned and appropriately separated along with necessary delegations of authority to sufficient numbers of qualified employees.

B. Personnel Policies And Practices

The primary internal control objectives normally associated with personnel policies and practices include the following:

1. Personnel ceilings are strictly enforced.

2. Recruitment, training, evaluation, and termination practices are operating in accordance with applicable laws and regulations and in a manner that promotes economy and efficiency of operations.

3. Appropriate standards of conduct are communicated and enforced.

4. Employment records are promptly, completely and accurately established with proper safeguards against unauthorized access or the preparation of fictitious records.

C. Administrative Support Services

The primary internal control objectives normally associated with administrative services include the following:

1. Services provided meet the organization's legitimate needs.

2. Services are conducted in a manner that promotes economy and efficiency in operations.

3. Safeguards exist to prevent unauthorized or wasteful use of such services.

   a. Periodicals, Pamphlets, and Audiovisual Products

      - Periodicals, pamphlets, and audiovisual products are related to agency mission, contribute to solution of an identifiable need, and are appropriate in format and scope for the intended audience.
      - Periodicals, pamphlets, and audiovisual products are not duplicative of other materials that convey the same message.

- Periodicals, pamphlets, and audiovisual products are produced or acquired in a cost-effective manner.

- Completed periodicals, pamphlets and audiovisual products are consistent with the planned product and distributed in conformance with an approved distribution plan.

b. Consulting and Related Services

- Services are secured for an appropriate purpose, i.e., to obtain specialized opinions or professional or technical advice which does not exist or is not available within the agency or another agency, outside points of view to avoid excessively limited judgments on critical issues, advice regarding developments in industry, university, or foundation research, opinion of noted experts whose national or international prestige can contribute to the success of important projects, or assistance to complete a necessary project within a specified period of time.

- Services are not used to perform work of a policy/decision-making or managerial nature that is the direct responsibility of agency officials, or to bypass or undermine personnel ceilings, pay limitations, or competitive employment procedures; or to aid in influencing or enacting legislation.

- Services are secured through maximum competition, without preference to former government employees.

- Payments for services bear a relation to work completed.

- Services provided meet the organization's specific needs and advice and recommendations are implemented, unless there are valid reasons to the contrary.

c. Long-Term Training

- Long-term training is provided only when the necessary knowledge or set of skills requires a comprehensive study program which cannot be accomplished by a series of unconnected short-term courses; the time span for the acquisition of the knowledge or skill is such that a concentrated or long-term program is most feasible; and the set of knowledges or skills is so complex, new or unique that it cannot be readily obtained on a short-term basis or through other means.

- Nominees continue in agency service for an appropriate period following completion of long-term training.

- Long-term training is relevant to selected employees' current and/or projected assignments, required skills and knowledge, individual development plan, and career potential; and is appropriate for his or her commitment to the organization and Federal service.

d. Space Acquisition and Utilization

- Need for and intended use of space is adequately justified.

- Requesting unit conforms with space allowance standards.

- Request cannot be met by realignment of existing space assignments or use of vacant or under-utilized space.

- Space is leased on the most favorable basis to the Government, with due consideration to maintenance and operational efficiency.

- Lease charges are consistent with prevailing scales in the community for comparable facilities.

- Legal requirements, such as facilities for the handicapped and fire safety features, are satisfied.

- Lease contains provisions necessary to administer the agreement, such as duration of lease, including clearly stated renewal rights; base for future escalations; liquidated damages provision; stated costs for overtime usage; and termination rights.

- Lease conforms with agency and Administration goals and priorities and legal requirements.

D. Advisory and Technical Services

The primary internal control objectives normally associated with advisory and technical services include the following:

1. Services provided meet the organization's legitimate needs.

2. Services are conducted in a manner that promotes economy and efficiency in operations.

3. Safeguards exist to prevent unauthorized or wasteful use of such services.

E. Security and Safeguarding of Classified Material

The primary internal control objectives normally associated with security and safeguarding classified material are the following:

1. Documents are appropriately classified.

2. Appropriate safeguards exist to prevent unauthorized access to classified materials.

F. Audit Followup

The primary internal control objectives normally associated with audit followup include the following:

1. Audit resolution and corrective actions pertaining to audit recommendations are made on a timely basis.

2. Audits resolved and corrective action on audit recommendations are scheduled in accordance with specific criteria.

3. Accurate records of the status of audit reports and recommendations are maintained through the entire process of resolution and corrective action.

4. Major disagreements between the audit organization and agency management or contracting officials are resolved on a timely basis.

5. Resolution actions are consistent with law, regulation, and Administration policy.

6. Resolution and correction action on recommendations involving more than one program, agency, or level of government are coordinated.

7. Required reports are reliable, accurate, and submitted on a timely basis.

8. Claims arising from audit disallowances are promptly recorded as receivables and collected in accordance with the Federal Claims Collection Act.

9. Interest on audit-related debt is charged promptly, without regard to whether the disallowance is or will be appealed.

III. INFORMATION PROCESSING AND REPORTING CYCLES

A. Information Collection

The primary internal control objectives normally associated with information collection are the following:

1. Information collected is meaningful and useful.

2. Information collected is reliable.

3. Information is arranged in an orderly fashion.

4. Information is maintained on a current basis.

B. Correspondence Handling

The primary internal control objectives normally associated with correspondence handling are the following:

1. Correspondence is channeled to the appropriate parties.

2. Replies are made promptly, accurately and responsively.

C. Records Maintenance

The primary internal control objectives normally associated with records maintenance are the following:

1. Records are readily available.

2. Records are adequately protected.

3. Only necessary records are retained.

D. Automatic Data Processing

The primary internal control objectives normally associated with automatic data processing are as follows:

1. Proper authorization of transaction inputs, adequate edit checks, and necessary safeguards of sensitive input forms to insure accurate, proper, complete and timely entry of information.

2. Data is safeguarded to prevent unauthorized access, improper changes, or loss.

3. Appropriate controls exist to detect unauthorized use of the system.

4. Outputs are produced accurately, completely and timely.

IV. ASSET AND LIABILITY CYCLES

A. Cash

1. Physical security safeguards are maintained where cash is stored and processed.

2. Cash, check signing machines, signature dies, and blank, partially prepared, mutilated, and voided checks are protected from unauthorized use.

3. Receipts are recorded properly and timely and deposited promptly.

4. Disbursements are recorded properly and timely.

5. An effective cash management system is maintained.

B. Negotiable Instruments and Other Investments

The primary internal control objectives normally associated with negotiable instruments and other investments include the following:

1. Physical security safeguards are maintained where negotiable instruments and other investments are stored and processed.

2. Bonds, drafts, and other securities are protected from unauthorized use.

3. Timely and accurate accounting is maintained.

4. Investments comply with legal requirements.

5. Interest and other investment income is collected promptly when due.

C. Letters of Credit

The primary internal control objectives normally associated with letters of credit include the following:

1. Letters of credit are issued only to large dollar recipients who have a continuing relationship with the Federal Government and an adequate cash management system.

2. Amounts available under letters of credit do not exceed available award authority or immediate cash needs.

3. Assurance exists that funds are used only for intended purpose.

4. Cash balances in recipients' hands do not exceed recipients' needs.

D. Receivables

The primary internal control objectives normally associated with receivables include the following:

1. Prompt and accurate recording of all receivables.

2. Ability to determine and report sources and age of receivables.

3. Continuous and timely attempts are made to collect receivables due.

4. Identification of the portion of the receivables that may not be collectible.

5. Validity of write-offs, conversions, and settlement or forgiveness of receivables.

6. Repayments collected, controlled and reported in a manner consistent with applicable law and regulations.

7. Title to property used as collateral is properly recorded, filed, and secured.

E. Capital Assets And Materials Inventories

The primary internal control objectives normally associated with capital assets and materials inventories include the following:

1. Only authorized and needed property is procured.

2. Receipts of property are recorded timely and accurately in source documents and accounting records.

3. Detailed subsidiary records are maintained for individual capital assets and significant categories of materials inventories and are periodically reconciled to control accounts.

4. Periodic physical verification is made of the existence and condition of property and inventories.

5. Physical security measures are commensurate with the size, type and value of property.

6. Issues, transfers, retirements, and losses are reported and accounted for timely.

7. Assets are properly requisitioned and used exclusively for government activities.

8. Records of asset use are accurately maintained.

F. Payables, Debt, and Other Liabilities

The primary internal control objectives normally associated with payables, debt, and other liabilities include the following:

1. All payables and other claims against the Government are recorded promptly and accurately.

2. Prepayment examinations and certifications of performance are made to ensure validity and clerical accuracy of claims prior to payment.

3. Debt and other long-term liabilities are properly authorized, recorded and serviced in accordance with applicable laws and regulations.

G. Fiduciary Funds

The primary internal control objectives normally associated with fiduciary funds include the following:

1. Liabilities to others are recorded properly.

2. Detailed subsidiary records are maintained and are periodically reconciled to control accounts.

3. Funds are handled in accordance with applicable law and regulations.

4. Effective control is maintained by responsible officials.

5. Benefits and other disbursements are subject to comparable controls to other payments.

V. RECEIPTS CYCLES

A. Taxes and Duties

The primary internal control objectives normally associated with taxes and duties include the following:

1. Taxing programs are applied to all individuals and organizations subject to taxes.

2. Tax returns and assessments are reasonably correct.

3. All receipts are recorded accurately and timely.

4. Receipts are safeguarded while in the custody of the agency and promptly transferred to the Treasury.

5. Settlements, allowances, and refunds are properly authorized.

6. Taxing programs are administered in accordance with applicable laws and regulations.

B. Services Rendered

The primary internal control objectives normally associated with services rendered include the following:

1. Revenues are recorded immediately as services are rendered with accounts receivable promptly set up and billed on a timely basis if not paid in full.

2. Receipts are recorded accurately and timely.

3. Receipts are safeguarded while in the custody of the agency and promptly transferred to the Treasury.

4. Services rendered and related charges are conducted in accordance with applicable laws and regulations.

C. Other Sales

The primary internal control objectives normally associated with other sales include the following:

1. Sales are recorded immediately as items are sold with accounts receivable promptly set up and billed on a timely basis for non-cash sales.

2. Receipts are recorded accurately and timely.

3. Receipts are safeguarded while in the custody of the agency and promptly transferred to the Treasury.

4. Sales of goods, property, equipment, bonds, notes, and other items are conducted in accordance with applicable laws and regulations.

D. Fines, Penalties, and Judgments

The primary internal control objectives normally associated with fines, penalties, and judgments include the following:

1. Fines, penalties, and judgments are levied on or sought from individuals and organizations as required by laws or regulations.

2. Fines and penalties are charged at the proper statutory rate.

3. All receipts are recorded accurately and timely.

4. Receipts are safeguarded while in the custody of the agency and are promptly transferred to the Treasury.

5. Rescissions and forgivenesses are properly authorized.

E. Other Receivable Collections

The primary internal control objectives normally associated with other receivable collections include the following:

1. All receipts are recorded accurately and timely.

2. Receipts are safeguarded while in the custody of the agency and are promptly transferred to the Treasury.

3. Procedures for effecting collection, including offset and installment payments, are utilized on a timely basis.

F. Other Receipts

The primary internal control objectives normally associated with other receipts include the following:

1. All receipts are recorded accurately and timely.

2. Receipts are safeguarded while in the custody of the agency and are promptly transferred to the Treasury.

3. Moneys are requested and received in situations where warranted in accordance with applicable laws and regulations.

VI. DISBURSEMENT CYCLES

A. Payroll, Pensions and Other Fringe Benefits

The primary internal control objectives normally associated with payroll, pensions and other fringe benefits include the following:

1. Appropriate authority exists for the appointment, change, and termination of all personnel.

2. Compensation and benefit payments are in accordance with current statutory or regulatory limitations.

3. Payments are made only in return for services rendered.

4. Gross and net payroll amounts and payroll deductions are correct.

5. Payroll charges, including fringe benefits, are recorded and distributed promptly.

6. Timely, accurate and complete subsidiary records are maintained of vacation, sick leave and other balances.

B. Federal Assistance Payments To Other Governmental Units and Individuals

The primary internal control objectives normally associated with Federal Assistance payments to other governmental units and individuals include the following:

1. Disbursements are valid and properly approved.

2. Disbursements are recorded promptly and accurately to the appropriate accounts.

3. Payments are within budget limits and in accordance with applicable laws, regulations and agreements.

4. Payments are made only to eligible recipients for eligible costs.

5. Payments are made promptly and in full.

C. Procurement and Acquisition

The primary internal control objectives normally associated with procurement and acquisition include the following:

1. All purchases are authorized within budget limits and made in accordance with applicable laws, regulations and agreements.

2. Government has paid lowest prices commensurate with quality, service, delivery and reliability.

3. Purchases and acquisitions are received and examined for acceptability.

4. Disbursements are valid and properly approved.

5. Disbursements are made on a timely basis.

6. Disbursements are recorded promptly and accurately to the appropriate account.

D. Travel Advances and Reimbursements

The primary internal control objectives normally associated with travel advances and reimbursements include the following:

1. Travel reimbursements and advances are provided only for properly authorized travel.

2. Amounts paid are in accordance with applicable government travel regulations.

3. Reimbursements are timely, properly approved, and properly recorded to the appropriate accounts.

4. Advances are liquidated within reasonable time periods.

E. Other Expenditures

The primary internal control objectives normally associated with other expenditures include the following:

1. Expenditures are valid and properly approved.

2. Expenditures are recorded promptly and accurately in the appropriate accounts.

3. Debt service requirements, refunds, valid claims and other appropriate payments are made timely in full accordance with applicable laws, regulations, and agreements.

The **electronic funds transfer** (EFT) is the deposit to or disbursement from a bank account by means of wire or other electronic communication. RCW 39.58.750 governs the circumstances under which electronic fund transfers may be used. We prescribe the following accounting procedures:

1. Receiving money by the EFT:

   a. Prepare a treasurer's receipt upon receiving notice from the payor that the funds have been transferred to your bank account. Do not wait for the bank to notify you of receipt of the funds. However, you may want to contact your bank to confirm the expected funds have arrived.

      Enter the following information on the receipt:

      - Date of receipt.
      - Name of person, company or agency transferring money into your account.
      - Name and number of fund(s).
      - BARS or other accounting system revenue account number.
      - Notation that funds were received by the EFT.

   b. A file must be maintained of those payors who have agreed in writing to add moneys to your account electronically.

2. Disbursing money by the EFT:

   a. Prepare a record which shows:

      - Chronological number of the EFT payment.
      - Time and date of disbursement.
      - Payee - name, address and account number.
      - Amount of disbursement.
      - Purpose of disbursement.
      - BARS or other accounting system expenditure/expense account number.
      - Name and number of fund(s).
      - Disbursing bank's unique transaction identification number, if available.
      - Receiving bank or financial institution's identification number.

   b. A file must be maintained of authorizations signed by payees who have thereby agreed to have moneys added to their accounts electronically.

   c. The treasurer should notify the disbursing bank that access to files, records and documentation of all EFT transactions involving the treasurer should be provided to the State Auditor when required for the conduct of the statutory post audit.

Generally accepted accounting principles require that governmental funds recognize revenues in the accounting period in which they become susceptible to accrual – that is, when they become both **measurable** and **available** to finance the expenditures of the fiscal period.

Measurable refers to the ability to quantify in monetary terms the amount of revenues.

Financial resources are available to the extent they are collectible within the current period or soon enough thereafter to be used to pay liability of the current period. Government can choose the length of the availability period. However, the availability period for the property tax revenue recognition is limited to no more than 60 days.[1] It is recommended that the governments attempt to use a single availability period.

Amounts that are available, but do not meet the criteria for revenue recognition, should be reported as deferred revenue (liability).

Remember that the accrual requirements do not apply to immaterial amounts. Also, the criteria for asset and revenue recognition are not always the same.

If a recipient government is not able to obtain timely information to estimate accrual amounts necessary to record a nonexchange transaction, it may use any method (including, but not limited to cash received) that provides a reasonable estimate.

The general standards for recognizing revenues related to nonexchange transactions are established in the GASB Statement 33, *Accounting and Financial reporting for Nonexchange Transactions* and the Statement 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*.

The provisions of this Statement 33 for the full-accrual basis revenue recognition in governmental funds apply only to their government-wide presentation.

[1] NCGA Interpretation 3

Revenue Type	Description/Class	BARS Code	Revenue Recognition
EXCHANGE and EXCHANGE-LIKE Transactions	It occurs when both parties exchange equal or similar, though not quite equal values.	320, 329, 338, 340, 348, 349, 361, 362, 365, 366	When measurable and available.
NONEXCHANGE Transactions	It occurs when a government gives (or receives) something of value to (or from) another party without directly receiving (or giving) equal value in exchange. There are four classes of nonexchange transactions:		
	Derived tax revenue (e.g., sales tax, motor fuel tax, hotel/motel tax, and similar taxes on earnings or consumption)	313, 314, 316	Period when underlying exchange has occurred and resources are available. (Advanced receipts should be reported as deferred revenues.)
	Imposed nonexchange transactions (e.g., property taxes, special assessments, most fines and forfeitures, etc.)	311, 312, 350, 368	Period when resources are required to be used or first period that use is permitted. For property taxes, the period for which they are levied. Resources should also meet the availability criteria.
	Government-mandated nonexchange transactions (e.g., federal/state mandates on local governments) Voluntary nonexchange transactions (e.g., certain grants, entitlements, most donations, etc.)	331, 332, 333, 334, 335, 336, 337, 367	Period when all eligibility[1] requirements have been met and resources are available. (Advance receipts or payments for use in the following period should be recorded as deferred revenues or advances.)

[1] The GASB Statement 33 specifies four kinds of eligibility requirements: (1) the recipient has the characteristics specified by the provider, (2) time requirements have been met, (3) the recipient has incurred allowable costs under the provider's program, which specifies that resources will be provided only on a reimbursement or "expenditure-driven" basis; and (4) for voluntary nonexchange transactions only, the recipient has complied with any contingencies stipulated by the provider.

Cash receipting is a very important function of all governments. Listed below are requirements for deposits and receipt forms. Also provided are recommended internal control procedures for cash receipts. Internal controls are responsibility of the management.

1. Deposits.

   a. Every public officer and employee, whose duty it is to collect and receive payments due or for the use of the public, should deposit such monies collected or received by him/her with the treasurer of the local government once every twenty-four hours. The treasurer of the local government may at his/her discretion grant an exception where such daily transfers would not be administratively practical or feasible (RCW 43.09.240).

   b. Deposits must be made intact and the composition of checks and cash must match the mode of payment listed on the deposit slip and related receipt forms.

   c. Checks must be restrictively endorsed "For Deposit Only" immediately upon receipt.

2. Receipt Forms (manual or automated).

   a. Receipt forms must be pre-numbered and imprinted with the name of the local government.

   b. Receipt forms must include the following information:

      - Name of payor (address if feasible).
      - Amount received.
      - Mode of payment (cash, check, credit card, other).
      - Purpose of payment.
      - Name of employee who prepares receipt.

   c. Generic receipt forms should not be used (e.g., Rediform, etc.).

   d. In instances where cash is received at decentralized locations (e.g., police department, parks department, etc.), the local government treasurer may combine those receipts onto one treasurer's receipt. The treasurer's receipt should indicate the total amount received from each location as well as the appropriate account codes.

   e. If a receipt is voided, the original and any copies of that receipt must be retained.

3. Internal Controls.

   The following internal controls enable local governments to properly account for and safeguard cash receipts. These controls are recommended for all local governments.

   a. Two employees should open the daily mail and prepare a list of cash and checks received (remittance list). This may not be feasible at departments/governments having limited staff. In such a case, the entity should implement a system of supervisory review of the remittance list and bank deposits.

b. The daily deposit should be prepared by someone other than the person who received the payment. As noted above, this control may not be feasible at departments/governments having limited staff. In such a case, the entity should implement a system of supervisory review of the remittance list and bank deposits.

c. Checks received in the mail should be briefly reviewed for accuracy (e.g., proper payee, date, signature of payor, etc.). Checks with obvious inaccuracies should not be included in the deposit. In such a case, the entity should contact the payor and request that the payment be corrected or reissued.

d. The daily remittance list should be compared (reconciled) to daily deposit slips and to the cash receipts journal (or check register) on a regular basis. This should be performed by someone other than the employee who prepared the remittance list. Any shortage should be resolved.

e. A duplicate copy of the bank-validated deposit slip showing the composition of receipts should be retained by someone other than the employee making up the deposit.

f. A monthly bank statement reconciliation should be performed by an independent person who does not have cash custody or bookkeeping responsibilities over cash. Any differences that are identified during the monthly bank reconciliation should be researched and resolved.

g. The daily deposit should be delivered to the bank in the bank bags and should have locks or other tamper-proof devices.

h. Cash receipts should be properly protected during the operating day and secured in a safe or vault overnight. Access to the cashiering area should be appropriately restricted whenever possible.

i. Access to the safe or vault should be limited and combination should be changed periodically. In addition, the safe and vault combination should be changed after employees terminate employment.

j. If the entity utilizes cash registers, there should be only one change fund and one cash register (or drawer) per cashier. This enables the entity to affix responsibility for cash to a specific individual at all times.

k. Accounting manuals or policies should contain instructions for identifying cash receipts and for dating cash receipts journal entries for that day's receipts.

1. Accounting For State Unemployment Compensation

All local governments have a choice between either the tax basis or in-lieu contribution basis for making payments to the Department of Employment Security (DES) (RCW 50.44.030). The accounting procedures for the two options, by type of local government, are detailed below:

OPTION 1 - TAX (CITIES/TOWNS/COUNTIES) (RCW 50.44.035)

Contact the Department of Employment Security to determine the appropriate tax rate(s) and maximum taxable wages for your particular unit of government. Apply the rate to all functional expenditure/expense accounts that have direct salary or wage charges, using the employer fringe or personnel benefits subobject applicable to your local government, each time a payroll is prepared. Do not apply the rate to salaries and wages of the following: (1) elected officials; (2) Job Training Partnership Act (JTPA) employees to the extent their earnings are within the maximum gross pay allowable under the JTPA programs; or, (3) policy-making employees that do not work more than eight hours per week.

Remit unemployment taxes quarterly to the Department of Employment Security.

OPTION 2 - IN-LIEU CONTRIBUTION (REIMBURSEMENT) (RCW 50.44.060)

All local governments may use Option 2. Under this option, the DES will pay unemployment claims and then bill the local governments for reimbursement.

Method A — Create an internal service fund for unemployment – Unemployment Compensation Fund. The purpose of this fund is to receive periodic cash contributions from operating funds. The amount of these cash contributions depends on the estimate of future unemployment claims. The estimates should be adjusted periodically, based on an experience. There may be different rates for departments and funds within the same government. The periodic cash contributions from operating funds will be charged to the functional expenditure/expense accounts in the operating funds in the same manner as premium payments paid to the DES. Payments to the DES must be made from the Unemployment Compensation Fund. Interest earnings on investment of the contributions may be used for the benefit of the Unemployment Compensation Fund (thereby reducing charges to the operating funds) or the General (Current Expense) Fund per RCW 35.39.034. An ordinance or resolution must govern this choice.

Method B — The local government may participate with other local governments in an unemployment pool or cooperative as provided for in RCW 39.34.030. If you participate in such a cooperative, the contributions from your funds should be charged as expenditures/expenses functionally according to the applicable chart of accounts. In this case, the pool or cooperative will pay the billed amounts to the DES.

Rates charged to the participants should be adjusted periodically based on the experience of each participant.

Since claims made by the DES must be paid by statute, it is not necessary to appropriate funds for their payment. However, we recommend that appropriations be made by local governments.

2. Deferred Compensation Plans -- Internal Revenue Code -- Section 457

RCW 41.50.770 authorizes all political subdivisions to defer income for all officials and employees. This statute also allows political subdivisions to enter into agreements with certain institutions, such as banks, savings and loan associations and insurance companies, to establish deferred compensation plans for the benefit of their employees. These plans must be in conformity with the requirements of Section 457 of the Internal Revenue Code.

Deferred compensation plans permit employees to accept less than the full amount of salary earned thus reducing their current federal income tax liability. The amount by which the salary is reduced is invested by the employer and upon retirement, disability, termination, unforeseen emergency, or death may be withdrawn by the employees or their beneficiaries.

The plan must be established correctly and administered properly so that the Internal Revenue Service (IRS) does not rule that the plan is not in conformity with the requirements of Section 457 of the Internal Revenue Code.

Because of the many plans available, it is strongly recommended that any local government which intends to establish a deferred compensation plan seek legal counsel to determine conformance with the Internal Revenue Code, Section 457, effective August 20, 1996[1], and obtain approval of the chosen plan by the district.

Caution should be exercised in implementing a plan, not only to protect the employer's legal liability, but also to prevent undue administrative complexities. No one can identify all problem areas of deferred compensation plans and their administration, as many problems may surface as a result of choosing a particular carrier, product or administrative system. Some major administrative requirements are as follows:

a. Make Written Agreements With Plan Administrator

All local government deferred compensation plans should provide for written agreements which clearly define the duties and responsibilities of the employer and the administator.

b. Keep An Employee File For Each Employee

A file to keep a deferred compensation record for each participating employee is necessary. Most carriers will provide the forms and basic accounting information for the employer, but the employer is responsible for maintenance of the files.

The participating employees must complete and sign joinder agreements stipulating the amount of their gross salaries or wages to be deferred. The local government should also maintain a written agreement which details any responsibilities of the employer for contributions, fees, charges, earnings, losses and withdrawals.

[1] The deferred compensation plan was revised by the H.R. 10 which was included in the Economic Growth and Tax Relief Reconciliation Act of 2001 and signed into law on June 7, 2001.

c. Withdrawals

The procedures for withdrawals should be clearly defined and the employer should be very careful in accepting any employee requests for amounts to be withdrawn from accumulated deferred compensation assets for unforeseeable emergencies, as any employee withdrawal granted which does not qualify under Internal Revenue Code Section 457 could cause the entire deferred compensation plan for all employees to be considered in violation and invalid by the IRS.

Normally, all withdrawals as a result of retirement, disability, termination, unforeseen emergency or death, will be paid to the employer by the bank, credit union, or other institution (the agent) with which the employer (the principal) has the agreement.

In such cases, the employer will receipt for the payment referred to above, deduct the appropriate amount for federal income tax withholding and disburse the remaining amount to the employee, former employee or beneficiary as applicable. The employer will then remit the federal income tax withheld to the IRS or to the official depository as it presently is required to do. The employer will issue W-2 forms to the participants in the plan who have received payments of deferred income.

The W-2 will show the gross payment made to the participant or beneficiary and any deductions made.

However, the IRS has approved some plans whereby the administering company acts as agent for payments to the employees, issuance of W-2 forms and remittances to the IRS. Such IRS approved plans, which are still in conformance with the requirements of Section 457 Internal Revenue Code, will be permitted.

d. Maximum Contribution

Beginning January 2002, employees may defer the less of either 50 percent of their gross annual compensation (reduced by other tax-deferred retirement contributions and pre-tax salary reductions) or $11,000 annually. The new contribution limit will increase by $1,000 a year until it reaches $15,000 in 2006. After 2006, the annual contribution limit will be indexed to inflation in $500 increments.

Employees age 50 or older can invest an additional $1,000. This additional contribution amount will increase by $1,000 every year until it reaches $5,000 in 2006. After 2006, the annual contribution limit will be indexed to inflation in $500 increments.

During the last three years prior to retirement, the employee may use the catch-up limitation which starting January 2002 is $22,0000 annually and will be increased by $2,000 a year until it reaches $30,000 in 2006.

e. Budget Salaries And Wages In Year Earned

All local governments required to budget revenues and expenditures by fund should be required to budget the gross salaries and wages including the deferred compensation amounts as expenditures of the year in which the salaries or wages are earned.

f. Establish Plan As A Pension (and Other Employee Benefit) Trust Fund (If Applicable)

All IRC Section 457 plans have to be held in a trust for the exclusive benefit of participants and their beneficiaries.

Under the new law, the local governments do not own either the amounts deferred by employee or related income on those amounts. Accordingly, the GASB Statement 32[1], *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, requires the governments to report their plans as pension (and other employee benefit) trust funds in their financial reports. This requirement applies only to the local governments which administer the deferred compensation plan by themselves.

The local governments should keep detailed accounting records of the deferred compensation plan. However, if those records can be provided by the administrator of the plan, no duplication is necessary.

[1] As amended by the GASB Statement 34, *Basic Financial Statements - And Management Discussion and Analysis - for State and Local Governments*.

For the purpose of the BARS, travel expense includes amounts paid for use of personal automobiles, other transportation, and actual expenses or reimbursement in lieu of actual expenses for meals, lodging, and related items.

The legislative body of each municipality must pass an ordinance or resolution to establish rules and regulations for the reimbursement of travel expense. There should be rules to cover all municipal officials and employees. The ordinance or resolution should discuss the municipal policy on tipping, charging expenses to the municipality, and it should prohibit reimbursement for personal expenses and entertainment.

If any municipal corporation wishes to issue credit cards for travel related expenditures, the legislative body must pass an ordinance or resolution to establish rules and regulations that satisfy provisions of Chapter 42.24 RCW, including:

1. Submission of a fully itemized travel expense voucher by the employee or officer;

2. Settlement by the officer or employee within 30 days of the billing date; and,

3. The establishment of a lien against salary for any disallowed charges.

Claims for reimbursement of travel expenses must contain a signed certification that includes the following language, "I hereby certify under penalty of perjury that this is a true and correct claim for necessary expenses incurred by me and that no payment has been received by me on account thereof."

In addition, if an officer or employee is filing a claim on behalf of others, he or she must prepare a detailed account that includes:

1. Names of the others who traveled, partook of meals, or otherwise incurred expenses.

2. Whether they were municipal employees and, if not, who they were and what connection they had with municipal business. This should not be construed to permit promotional hosting.

3. Who provided the lodging, meals or other services in question, dates and times.

4. A detailed breakdown of amounts.

5. Some statement sufficiently explicit to show what municipal business was being carried out when the expenses were incurred.

If a municipality chooses the option of using monthly reimbursements for use of personal automobiles for official business, the following procedures apply.

1. The monthly rate schedule established should be limited to officers and/or employees who actually use their personal automobiles for travel on a regular basis. It is the responsibility of the municipality to assure that each traveler is on official business.

2. The rate must be based on actual costs.

3. A periodic review must be performed to determine whether or not the rate continues to reflect actual costs.

4. A record is needed of the governing body's determination.

If the above procedures are not followed, the "monthly reimbursement for use of personal automobiles" may be treated as additional compensation. According to the Internal Revenue Service, municipalities could be assessed the withholding tax of the employees if the amounts advanced/reimbursed for travel were not for expenses incurred or reasonably expected to be incurred, unless these amounts are reported as taxable wages on the W-2.

If a municipality chooses to establish an *advance travel expense account* (imprest account), pursuant to RCW 42.24.120, the following procedures apply:

1. The imprest amount must be established and maintained in accordance with the procedures prescribed for petty cash (e.g., amount must be established by ordinance or resolution).

2. Upon receipt of the moneys, the custodian will open a checking account in a local bank in the name of the governmental unit entitled "Advance Travel Expense Account -- John Doe, Custodian." Moneys received from the following sources will be deposited to the account:

   From the treasurer or other disbursing officer, the total amount originally establishing the account or subsequently added; from officers and employees, refunds of any unexpended advances; and from the warrant-issuing officer, amounts that reimburse the custodian for travel expenses allowed in the settlement of employee advances.

3. The *advance travel expense account* must be used solely for travel advances, <u>not direct payments to vendors</u>. In other words, moneys may be advanced to an individual who is going on travel status for travel-related expenses that he/she will pay out of his/her own pocket. It must not be used for personal loans, pre-registration fees, reimbursements to employees or officers for travel already incurred, etc.

4. A check register will be maintained in which will be recorded all transactions of the account, including deposits, disbursements and bank service charges. A reconciliation should be made with the bank statement at the end of each month. When possible, the reconciliation should be made by someone other than the custodian. The balance remaining in the checking account as of a given date, together with any outstanding advances and travel expense claims on hand but not yet reimbursed, should always equal the amount established by the governing body for the account.

5. Employee advances for travel expenses will be made by the issuance of checks drawn on the special bank account, payable to the applicant. Approved requests will be retained in the files of the custodian to support such advances until final settlement is made and claim for reimbursement has been submitted. Requests for such advances shall be reasonable estimates of the applicants' travel expense requirements and shall contain as a minimum the following information:

   Date of request
   Name of applicant
   Destination
   Purpose of travel
   Anticipated departure and return dates
   Amount requested
   Signature of applicant
   Official approval of trip
   Check number, amount and date (to be provided by the custodian when the advance is made)

6. Settlement of advances will be made on or before the 15th day following the close of the travel period by filing with the custodian an expense voucher as required by RCW 42.24.090. The custodian will verify the amount shown on such form as having been advanced to the employee. In the event the traveler's actual expense is less than the amount of the advance received, his/her expense voucher will be accompanied by the unexpended portion of the advance. The expense voucher and original request for the advance will then be used to support the custodian's claim for a warrant replenishing the account for travel expenses reported. Expense vouchers containing expenses in excess of the amount advanced will be submitted in duplicate to the custodian at the time of final settlement. The original copy of the expense claim and the traveler's request for an advance will then be used to support the custodian's claim for a warrant replenishing the account. The other copy of the expense claim will be submitted to the warrant issuing officer for reimbursement of the excess to the traveler. Claims for reimbursement to the account should be submitted by the custodian periodically as needed and at the end of the fiscal year in order that all expenses incurred will be charged against the appropriations for the period then ending.

7. Any default in accounting for or repaying an advance should render the full amount which is unpaid immediately due and payable with interest at the rate of 10 percent per annum from the date of default until repaid. To protect against any losses on advances, the governing body should have a prior lien against and a right to withhold any and all funds payable or to become payable to such officer or employee to whom such advance has been given, up to the amount of the advance and an annual interest rate of 10 percent until repayment or justification is made (RCW 42.24.140). No advance of any kind may be made to any officer or employee at any time when he/she is delinquent in accounting for or repaying a prior advance.

For the purpose of BARS, petty cash includes change funds, working funds, revolving, advance travel, stamp funds, check cashing funds, etc.; in other words, any sum of money or other resources set aside for such specific purposes as minor disbursements, making change, and similar uses (i.e., imprest fund). If the petty cash is disbursed, it is periodically restored to its original amount by a warrant drawn and charged to the applicable operating fund. The amount of the warrant should equal the aggregate of the disbursements.

The following are minimum requirements for the establishment and operation of petty cash accounts.

1. The governing body must authorize each petty cash account in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount.

2. The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions. As part of the appointment, the custodian shall render a receipt for the imprest amount to the treasurer, clerk-treasurer or auditor from whom he/she receives it.

   When it is not practical to hire additional personnel or to reallocate these duties among existing personnel, the governing body must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of the bank reconciliation add controls when complete segregation of duties is not possible.

3. The governing body or its delegate should assure that the amount in petty cash is periodically counted and reconciled by someone other than the custodian.

4. The custodian should assure the petty cash is kept in a safe place.

5. The imprest amount may be established by treasurer's check or in double-entry systems by warrant. If established by warrant the transaction is a nonbudgetary item.

6. The governing body must include the authorized amount of all such petty cash in the local government's balance sheet.

7. If petty cash is disbursed, it must be replenished at least monthly by warrant or check payable to the custodian. No other receipts may be deposited to the petty cash fund.

   The replenishment should be subject to the same review and approval as processed invoices. The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or canceled by some other appropriate means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized imprest amount.

8. The imprest amount of petty cash should not exceed one month's salary or the surety bond covering the custodian.

9. The fund may not be used for personal cash advances even if secured by check or other I.O.U.'s. However, cities and towns are authorized to cash employees' checks, warrants, and drafts. If a city or town chooses to do so, it should create a separate imprest fund used solely for the purpose outlined in RCW 35.21.087 or RCW 35A.40.110. To avoid appearance of personal loan, deposits of cashed checks, warrants, and drafts should be made daily. Entities should avoid cashing checks out of (from) cash receipts because this destroys the intactness of deposits. See the separate procedures applicable to advances for travel expenses.

10. Petty cash should always be replenished at the end of the fiscal year so that expenses will be reflected in the proper accounting period.

11. Whenever an individual's appointment as custodian is terminated, the fund must be replenished and the imprest amount turned over to the treasurer or other disbursing officer.

All claims against a municipality must be preaudited by the auditing officer of the municipality or his/her delegate. In addition, all claims must be certified by the auditing officer. This certification may be made on each individual claim voucher or, subject to the acceptance and approval of the municipal legislative body, a blanket voucher certification may be used so long as it indicates the particular vouchers so certified. The use of a blanket certification in no way relieves the auditing officer of his/her responsibility and liability for each individual voucher so certified. The certification must be signed and dated by the auditing officer or his/her delegate. For all claims, except expense reimbursement claims certified by officers or employees (see Part 3, Chapter 3, Section D, *Employee Travel Procedures*), the certification must include the following language:

> *I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein and that the claim is a just, due and unpaid obligation against the city/county/district, and that I am authorized to authenticate and certify to said claim.*

The auditing officer's certification for employee/officer expense reimbursement claims must include the following language:

> *I, the undersigned, do hereby certify under penalty of perjury that the claim is a just, due and unpaid obligation against the city/county/district, and that I am authorized to certify to said claim.*

The certification by the auditing officer in no manner relieves members of the governing body from the responsibility and liability for each voucher approved. It is the governing body's responsibility to ensure that the system of auditing and certifying vouchers is operating in a manner to provide the greatest possible protection for the governing body members and the municipality.

To indicate governing body approval for payment of claim vouchers and payroll, the following should be entered in the minutes:

The following voucher/warrants are approved for payment:

(Funds) **Total**
Voucher (warrant) numbers:_____ **through** _____
$_____
Payroll warrant numbers: _____ **through** _____
$_____

If the legislative body authorizes the procedure, cities, counties and districts may issue warrants before the legislative body approves claims. To do this the municipality must enact the following policies and procedures (required in Chapter 42.24 RCW):

(1) The auditing officer and the officer designated to sign the checks or warrants must have an official bond. The amount should be determined by the legislative body but cannot be less than fifty thousand dollars (RCW 42.24.180);

(2) The legislative body should adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal control;

(3) The legislative body must review and approve the claims paid at its next regularly scheduled public meeting, or for cities and towns, at a regularly scheduled public meeting within one month from issuance; and

(4) If the legislative body disapproves some claims, the auditing officer and the officer designated to sign the checks or warrants must recognize these claims as receivables of the taxing district and pursue collection diligently until the amounts are either collected or the legislative body is satisfied and approves the claims.

The legislative body may stipulate that certain kinds or amounts of claims should not be paid before the board has reviewed the supporting documentation and approved the issue of checks or warrants in payment of those claims.

The original copy of all vouchers should be filed in the office of the auditing officer of the municipality. The detailed accounts to which the expenditures are to be posted must be clearly designated. Supporting documentation must be retained and either attached to the vouchers or canceled by the auditing officer to prevent reuse.

Districts that do not issue their own warrants should send original vouchers and supporting documentation to the county auditor.

Vouchers and supporting documentation must be filed in a manner that allows rapid identification and retrieval of all the vouchers of a particular fund, program, department, or account code.

For the purposes of the BARS, the term *Payroll Fund* includes both payroll and salary funds.

Payroll and claims clearing funds are not budgeted because they are simply clearing funds from which all claims and salaries are paid.

These clearing funds cannot be provided with any working capital. Therefore, the money for redemption of warrants must be transferred to the clearing fund from the appropriate operating fund on the same day that the clearing fund warrants are issued. The accounting for this transaction in the operating fund is a debit to expenditures and a credit to cash. If the operating fund is insolvent, it must issue a registered interest-bearing warrant to the clearing fund instead of a transfer. In this case, the credit entry is to warrants payable. This registered warrant should be deposited along with other cash receipts. The cash balance in a clearing fund must equal at all times the total warrants outstanding against the fund plus any amounts withheld from payrolls and temporarily unremitted (such as quarterly L&I payments). When a clearing fund warrant is canceled, the amount of the canceled warrant must be transferred back to the appropriate operating fund.

The warrants issued against a clearing fund must be recorded in the appropriate warrant register in strict numerical and chronological order and the expenditures applicable to the claim vouchers supporting the warrant issue must be recorded in the distribution of expenditure ledgers for the various operating funds in the same order and bear the same dates.

The approved warrants should be recorded in the minutes of the governing body (see Part 3, Chapter 3, Section D).

The distribution of expenditures from the vouchers to the budgetary control records must agree with the totals accumulated in the warrant registers and should be reconciled monthly to ensure accuracy in posting.

This section does not attempt to determine which moneys of a municipality may or may not be available for interfund lending, since the special character of some moneys involves commitments and restrictions which would require individual consideration. As a rule of thumb, however, it may be considered permissible to make interfund loans of those municipal moneys which are clearly inactive or in excess of current needs **and** legally available for investment.

The minimum acceptable procedures for making and accounting for interfund loans are as follows:

1. The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the municipality) to be paid to the lending fund.

2. Interest should be charged in all cases, unless:

   a. The borrowing fund has no other source of revenue other than the lending fund; or

   b. The borrowing fund is normally funded by the lending fund.

3. The borrowing fund must anticipate sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance or resolution.

4. The term of the loan may continue over a period of more than one year, but must be "temporary" in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. A loan that continues longer than three years will be scrutinized for a permanent diversion of moneys. (Note: these restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)

5. Appropriate accounting records should be maintained to reflect the balances of loans in every fund affected by such transactions.

RCW 43.09.210 requires that, when property is transferred between funds of the same municipality, it should be paid for at its full value by the fund which receives it. The following rules are intended to clarify the application of this statute:

1. When a municipality wishes to acquire capital assets for an internal service fund, such as the Equipment Rental and Revolving Fund, the budgets of the contributing funds should specifically identify the item(s) of equipment to be purchased. The item(s) can be purchased from the contributing fund or the internal service fund. In either case, documentation of the equipment purchase must be adequate to show that the funds originally budgeted for a specific piece of equipment were actually used for the purchase of that item.

2. The transfer of general capital assets between two governmental funds of the same government should be accounted for merely as a change in location and/or custodian because the assets are not owned by the particular funds. Such transfers are not subject to budgetary control, but the assets should be declared surplus to the needs of the relinquishing fund and the transfer approved by the local government's legislative body.

3. The transfer of assets between the governmental fund and an enterprise fund should be budgeted and accounted for as a sale and purchase of property. Proceeds of such sale should be deposited to the fund which originally paid for the item or to the general (current expense) fund at the discretion of the legislative body unless a particular statute requires another treatment. The capital asset should be reported in the recipient proprietary fund at the same net book value previously reported (i.e., historical cost less accumulated depreciation) in the government-wide statement of net assets.

4. The transfer of assets between the governmental fund and an internal service fund must be approved by the local government’s legislative body.

The requirements described below apply to all Category 1 local governments who expend federal funds or pass funds through to subrecipients. Federal assistance can be provided to state and local governments in many forms including *project grants, block grants, formula grants, cost reimbursement contracts, loans, loan guarantees, insurance contracts, real property, and personal property*. The following procedures apply to programs funded with state and interlocal monies as well as federal funds. This section does not apply to entitlements or shared revenues, which are treated essentially as local revenues.

Excerpts from Office of Management and Budget (OMB) Circular A-133, Circular A-87, and the Common Rule are provided in this section. Please note that there are many additional federal laws and regulations that may apply to your grants and loans. Copies of these circulars and other federal documents can be obtained from the U.S. Government Printing Office. To order these documents, contact the Region-10 Office in Seattle at (260) 553-4270.

The Common Rule

The Common Rule (an attachment to OMB Circular A-102) sets forth uniform administrative requirements for grants and cooperative agreements to state and local governments. The financial management systems of local governments and subgrantees must meet the following standards:

1. Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

2. Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

3. Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

4. Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

5. Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

6. Source documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

7. Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

OMB Circular A-87

Expenditures of federal funds and costs claimed for reimbursement or used for matching must be determined in accordance with OMB Circular A-87, *Cost Principles for State and Local Governments*. This circular provides criteria for determining whether costs are necessary, reasonable, and allocable. It also lists specific types of costs and expenditures that are allowable and unallowable.

OMB Circular A-133

The Single Audit Act of 1984 set forth uniform requirements for audits of federal financial assistance provided to state and local governments. Amendments to the Single Audit Act were signed into law in July, 1996. These amendments are effective for audits of fiscal years beginning after June 30, 1996. Prior to the 1996 amendments, single audit regulations were set forth in OMB Circular A-128, *Audits of State and Local Governments*. OMB has since rescinded this Circular. As a result, single audit requirements are now provided in OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

According to OMB Circular A-133, ". . . non-federal entities that expend $300,000 or more in a year in federal awards shall have a single audit conducted . . . except when they elect to have a program-specific audit . . . ." The election of a program-specific audit is allowable only if the auditee expends federal awards under only one program (excluding Research and Development) and the federal program's laws, regulations, or grant agreements do not require a financial statement audit.

Circular A-133 outlines specific responsibilities for the auditee. In short, the auditee must perform the following:

1. Identify, in the accounting records, all federal awards received and expended, including the name of the federal grantor agency and pass-through agency (if applicable), the CFDA title and number, and the award number and year;

2. Maintain internal control over federal programs that provides reasonable assurance that the grantee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that have a material effect on each of its federal programs;

3. Comply with laws and regulations and the provisions of contracts or grant agreements related to each of its federal programs;

4. Prepare appropriate financial statements and Schedule of Expenditures of Federal Awards;

5. Ensure audits are performed and submitted when due;

6. Follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and a Corrective Action Plan; and

7. Submit a Data Collection Form and a reporting package to the federal clearinghouse (refer to Circular A-133 for details).

Governments that expend less than $300,000 in a year in federal awards are exempt from federal audit requirements for that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and General Accounting Office (GAO).

ADDITIONAL AUDITS BEYOND SINGLE AUDITS

The Single Audit Act provides that an audit made in accordance with Circular A-133 should be in lieu of any financial or financial compliance audit required under individual federal assistance programs. To the extent that a single audit provides federal agencies with information and assurances they need to carry out their overall responsibilities, they shall rely upon and use such information. However, a federal agency should make additional audits which are necessary to carry out its responsibilities under federal law and regulation. Any additional federal audit effort should be planned and carried out in such a way as to avoid duplication.

To satisfy the requirements of the Single Audit Act and the requirements of generally accepted accounting principles contained in the NCGA *Statement 2*, the following accounting for grants is prescribed.

1. Use of Separate Grant Funds

   Grants may be accounted for in the same funds as other operations of a municipality or in one or more separate "grant funds," depending upon grant terms. The Governmental Accounting Standards Board (GASB) recommends that governments establish and maintain the minimum number of funds consistent with legal specifications and operational requirements. Grant transactions coded within the same fund as other operations may be distinguished by using the BARS program or department codes. (See Part 1, Chapter 3 for coding instructions.)

2. Fund Types

   Grants must be accounted for in the type of fund appropriate for the activities being financed. If a grant is to be used for general governmental purposes, it should be accounted for in the general (current expense) or a special revenue fund. If a grant is received for the payment of principal and/or interest on general long-term debt, it should be accounted for in a debt service fund. If a grant is received to support operations of, or acquire capital assets for, a proprietary fund, the grant should be accounted for in a proprietary fund. Other capital grants should be accounted for in capital projects funds. See separate discussion of pass-through grants in Part 3, Chapter 5, Section B.

3. Project Coding

   At the inception of a grant (award notification), one or more project codes should be assigned locally to identify the particular grant. This coding must be incorporated into the basic coding structure the municipality uses to identify all its transactions. Any available field or fields may be used, so long as the results do not interfere with the prescribed seven-digit BARS code.

   The use of multiple codes may be necessary when there is more than one source of funds for a particular grant. For example, when some expenditures must be charged to particular revenue sources or are not allowed under some grantors' terms, separate budgets for such sources must be established. In addition, it may be desirable or necessary to account for the local share of costs ("match") or program income in separate projects. The value of separate projects is that they immediately segregate budgets, revenues, expenditures, cash accounts, receivables, and payables for each grant and for the related non-grant resources used to accomplish the project or operate the program.

4. Local Funding of Grant Projects

Within this project or set of projects, the municipality should account not only for grant resources and expenditures but also for the municipality's own contributions to the project or program and for related program income. This is necessary to ensure uniform accounting for the entire project or program, not merely that portion supported by grant moneys.

5. Grant (Project) Budgets

As soon as the terms of the grant award are known, the grant budget entries are to be made. If the exact terms of a grant agreement are not known when expenditures begin to be incurred, approximate budgets must be entered. These entries are not the municipality's own appropriation entries, which are still required.

To distinguish the grant budget from the municipality's own appropriated budget, use the separate budgetary control accounts 296.10 *Grants Authorized* and *Continuing Grant Appropriation*, 296.20 and the separate nominal control accounts, 297.10 *Life-To-Date Resources*, and 297.20 *Life-To-Date Expenditures/Uses*. This procedure constitutes entering two budgets for the same plan of expenditures because the grant fiscal period often will not coincide with the municipality's fiscal period. In these cases, continuing appropriations will be necessary (see Part 2, Chapter 2, Section B).

The *Life-To-Date Resources* and *Life-To-Date Expenditures/Uses* accounts are used to keep track of the resources/uses for the grant projects from inception of the grant through the current date. Comparison of these accounts to the 296 accounts (see above) will yield budget analysis on a project basis as opposed to current-year transactions.

If a separate "grant fund" is used, the municipality's own legislated appropriation should be limited to the fund total, and the detail budget should be the terms contained in the grant award and related agreements. If the grant is accounted for within a fund that accounts for other operations of the municipality, either the grant terms or the municipal appropriation may be used for the detail budget. Using the municipal appropriation for the detail budget has the disadvantage that, although grant revenues and expenditures will be identified as they are incurred, they will not be compared to the detailed grant budget and therefore the municipality may have to absorb some grant-related costs that turn out not to dovetail with the grant budget restrictions.

6. Grant Schedules

A set of grant schedules is prepared as shown in the reporting section of this manual (Part 4, Chapter 8). These schedules meet federal requirements for the Single Audit. After these schedules are complete, the life-to-date control accounts are closed to allow the preparation of a balance sheet. The life-to-date control accounts are reopened as the first journal entry of the succeeding fiscal year.

7. Noncash Awards

The value of noncash awards (e.g., food stamps, food commodities, etc.) should be accounted for and reported on the Schedule of Expenditures of Federal Awards and the Schedule of State and Local Financial Assistance. Current year expenditures should be the value of goods distributed during the year. The notes to the schedule should disclose the nature of the amounts reported.

The Governmental Accounting Standards Board (GASB) Statement 24 defines pass-through grants as those grants and other financial assistance received by a governmental entity (recipient government) to transfer to or spend on behalf of a secondary recipient. All pass-through grants received by a governmental entity should be reported in its financial statements. To determine the proper accounting for pass-through grants, the recipient government has to evaluate its administrative and direct financial involvement.

Administrative involvement may include:

(a) monitoring secondary recipients for compliance with program-specific requirements,
(b) determining eligible secondary recipients or projects, even if using grantor-established criteria, or
(c) having the ability to exercise discretion in how the funds are allocated.

Direct financial involvement may include:

(a) recipient government financing some direct program costs because of a grantor-imposed matching requirement, or
(b) recipient government liability for disallowed costs.

If a recipient government has administrative involvement or direct financial involvement in a pass-through grant, its responsibility in relation to the resources is more than custodial.
The recipient government essentially exercises operational responsibility or discretion over whether the grant will be awarded.

National Council on Governmental Accounting (NCGA) Statement 1 states that agency funds are purely custodial. In those cases in which a recipient government serves only as a cash conduit, the grant should be reported in an agency fund. Pass-through grants with administrative or direct financial involvement should be recognized as revenue and expenditures or expenses in a governmental, proprietary, or trust fund of the recipient government.

GASB Statement 24 does not require that a recipient government's payment of administrative costs (indirect financial involvement) be separately evaluated in determining the reporting of pass-through grants. If a recipient government serves only as a cash conduit, it may incur some incidental administrative costs. If a recipient government's administrative costs are more than incidental, that would be the result of administrative involvement.

Local governments may cooperate under certain conditions with other local governments. The basis is for mutual advantage to provide services and facilities. This is accomplished in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities.

All cooperative efforts created by State law can be joint ventures (see Joint Venture Section). All joint ventures are either joint operating agencies or contracted interlocal agreements. Specific laws dictate other limitations or requirements, depending on the purpose and entity. Descriptions of some cooperative efforts are as follows.

Joint Operating Agencies (RCW 43.52 and RCW 54.44)

A Joint Operating Agency (JOA) is a legal entity created between any two or more cities or public utility districts. This agency is a municipal corporation of the state of Washington. A JOA has authority to enter into contracts involving electric energy, fisheries, flood control, and natural resources.

Management and control of a JOA vests with the board of directors. The directors are appointed by the legislative body of each member of the JOA.

For guidelines and requirements, see Chapter 43.52 RCW for Operating Agencies and Chapter 54.44 RCW for nuclear power plants.

For accounting treatment, joint operating agencies should be treated as a public utility district (RCW 43.52.391).

Interlocal Agreements (RCW 39.34)

An interlocal agreement is a contract entered into between two or more public agencies for joint or cooperative action. This action must be a power, privilege, or authority already capable of being exercised by the public agencies involved, and the manner of financing should be as provided by law. The agreement could establish a separate entity as described below.

If the interlocal agreement does establish a separate legal or administrative entity, this entity must be legally created (Insurance Boards RCW 48.62.041-.101, Irrigation Districts RCW 87.03.018, Hydroelectric Resources RCW 87.03.828). The agreement must specify duration, organization, purpose, manner of financing and methods of termination. Funds of this separate entity would be subject to audit in the manner provided by law for the auditing of public funds.

If the interlocal agreement does not establish a separate legal entity by law, the agreement must specify the criteria listed above and must also provide for an administrator or a joint board responsible for administering the cooperative undertaking. Provisions are also required to detail the manner of the joint board in acquiring, holding, and disposing of real and personal property used in the joint undertaking. The joint board is also authorized to establish an operating fund with a county, city, or district treasurer of one of the involved public agencies.

The interlocal agreement is filed with the county auditor, and if applicable, a state officer or agency with statutory powers of control.

Chapter 39.34 RCW issues various guidelines and requirements applicable to interlocal agreements.

For accounting treatment, an interlocal agreement must be evaluated for each member agency to determine whether joint venture treatment is applicable. If joint venture treatment is applicable, see the accounting treatment as recommended in the joint venture section. If joint venture treatment is not applicable, interlocal agreement should be footnoted and accounted for in an appropriate fund (special revenue, internal service, etc). Contractual requirements take precedence over accounting requirements (i.e., a contract may require one member to be reporting entity when it does not exercise "oversight responsibility").

Accounting Procedures for the Joint Ventures

GASB Statement 14, *The Financial Reporting Entity* defines the joint venture as a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

> Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.
>
> Ongoing financial interest means an equity interest or any other arrangement that allows a participating government to have access (directly or indirectly) to joint venture's resources.
>
> Ongoing financial responsibility means that the participating government is obligated in some manner for the debts or the funding of the joint venture.

Lack of the ongoing financial interest or the ongoing financial responsibility designates the entity as a jointly governed organization, subject to different disclosure requirements.

When the number of participants in a joint venture increases their financial responsibility may decrease. The Statement 14 does not establish any break point for the determination if the participant is financially responsible or not. A decision, in the marginal cases, is left to the professional judgment of the government.

For financial reporting purposes there are two types of joint ventures:

1. joint ventures whose participants have equity interest,
2. joint ventures whose participants do not have equity interest.

The indication of an equity interest is an ownership of shares of the joint venture's stock or other explicit and measurable rights to net resources (usually based on investment of financial or capital resources in the joint venture). To be considered explicit and measurable the rights to the present or future claims to the joint venture's resources and the methods to determine the amounts have to be clearly defined in the joint venture agreement. If equity interest in the joint venture is implied rather than explicitly stated the joint venture participants should consider modifying the agreement to clarify its intent.

Reporting Equity Interest in Joint Venture:

The proper accounting and financial reporting for joint ventures depends on whether the underlying contract creates an explicit, measurable equity interest in some or all of the joint venture's resources. If there is an explicit, measurable equity interest in the joint venture, the government's investment in the joint venture should be reported as a single line item in the government-wide statement of activities. The same treatment applies to the proprietary fund financial statements.

In the case of governmental funds, however, an investment in the joint venture should be reported in a governmental fund only to the extent that it represents a financial asset rather than an interest in the underlying capital assets of the joint venture. Joint ventures not involving an explicit, measurable equity interest are reported simply as note disclosures.

The following examples illustrate how the provisions of the GASB Statement 14 would be applied to a particular set of hypothetical circumstances.

Example 1. Twin City Airport Authority

Facts: The Twin City Airport Authority was created jointly as a separate legal entity by two cities. At inception, City A contributed 60 percent and City B contributed 40 percent of the initial capital (to purchase land). The cities jointly issued construction revenue bonds and facility revenue bonds to finance construction of the airport. The construction bonds are payable solely from and secured by airport revenues, and the facility bonds are payable solely from and secured by net rent revenues payable from various leases. The cities are not obligated in any manner for the authority debt. The initial capital investment of the two cities are to be returned to the cities by the authority over a period of time not to exceed fifteen years.

The authority is governed by a ten-member board composed of the mayor of each city and three members of City B's city council and five members of City A's city council. Despite the numerical imbalance of the board, the joint venture agreement provides for joint control; that is, both cities must approve the budget, the issuance of debt, and other significant activities.

The cities individually have executed covenants, by ordinance, to levy a maintenance tax (subject to rate limitations) if necessary to insure that the airport will be operated and maintained efficiently. The authority board has entered into agreements with each airline that uses the airport, providing for adjustments to rentals, fees, and other charges that management believes would preclude losses from being incurred. To date, no maintenance tax has been levied by either city, and the airport has generated sufficient revenues to make annual payments to the cities in accordance with the repayment agreement for their initial capital contributions.

Conclusions: The airport authority is a joint venture because it was created as a separate legal entity and both cities have on ongoing financial responsibility for the entity. The fact that City A appoints a numerical majority of the authority's board is negated by the two cities' agreement for joint control of the authority. The initial capital contributed by the cities has the characteristics of an equity interest, but the agreement with the airport authority, in effects, converts the equity interest to a long-term receivable. Therefore, rather than reporting an equity interest in the joint venture in the GFAAG, the cities would report a receivable in the fund that receives the annual payments from the authority. The cities do, however, have ongoing financial responsibilities for the authority because they have obligated themselves to fund the deficits of the airport by agreeing to levy maintenance tax if needed. The cities would make the required joint venture disclosure.

Example 2: Bi-State Port Authority

Facts: Two state governments create a port authority as a separate legal entity. Each state appoints six governing board members for the authority; the chairperson is elected by the twelve members from within the board. the authority is autonomous from a day-to-day operations perspective. Neither state provides start-up funds; the authority's facilities were financed with its own revenue bonds.

Neither state is obligated for the authority's debt and neither state is obligated for its deficits or entitled to its operating surpluses, either directly or indirectly. The authority is financially self-sufficient. It is perpetual and no provisions are made in its charter or by-laws for the distribution of assets at termination.

Conclusions: The authority is a jointly governed organization. It is not a component unit because neither state appoints a voting majority of the authority's governing board. It is not a joint venture because the states do not have an ongoing financial interest or responsibility for the authority. If, however, the states could influence the management of the authority (through veto power over the authority's decisions regarding major projects, for example) to undertake projects that would benefit the states, an ongoing financial interest would exist and them authority would be considered a joint venture. In either case, the states should make the appropriate disclosures about their relationship to the authority.

Example 3: Municipal Electric Authority

Facts: Forty-eight cities have formed a municipal electric authority as a public corporation according to state law. The purpose of the authority is to enable small municipal electric systems to efficiently finance, construct, and operate electric power generation and transmission facilities. Each participating city appoints one member to the authority's governing board. Construction of the authority's facilities was financed by revenue debt of the authority. None of the participants is in any way liable for the authority's debt. The authority bills each participant for usage at rates that are calculated to cover the authority's "cost" as defined in the bond indenture. The rates are structured to systematically provide cash for debt requirements, operating expenses (excluding depreciation and amortization), and reserves as specified by the bond indentures. Each city is bound by contract with the authority to annually purchase a minimum number of kilowatt-hours. The contracts are renewable at the cities' option every three years. Except for the minimum purchase contracts, no participant has any other obligation, entitlement, or residual interest. The authority is financially self-sufficient.

Conclusion: The authority should be reported by participants as a jointly governed organization. None of the participating municipalities has an ongoing financial interest, and because of the large number of participants the cities' purchase contracts with the authority do not represent ongoing financial responsibilities.

INVESTING REQUIREMENTS

Each municipal corporation should, by action of its governing body, authorize investment of any moneys which are not required for immediate expense and which are in the custody of the county treasurer or other municipal corporation treasurer.

If the governing body has not taken any action pertaining to the investment of any such moneys, the county finance committee should direct the county treasurer to invest, to the maximum prudent extent, such moneys or any portion thereof in any of the securities mentioned below (RCW 36.29.020).

INVESTMENT VEHICLES

All local governments (counties, cities, towns, special purpose districts, political subdivisions, municipal corporations, or quasi-municipal corporations, including any public corporation, authority, or other instrumentality created by such an entity) in Washington State are empowered by statute to invest moneys, which are eligible for investment[1], in the following types of securities. (The enabling legislation is contained in Chapter 39.59 RCW.[2])

- Certificates, notes, bonds or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States:
  - Treasury bills
  - Treasury bonds
  - Government National Mortgage Association bonds.
  - Small Business Administration bonds (see caution 3). (RCW 36.29.020, 43.84.080)

- State, county, municipal, or school district bonds, or warrants of taxing districts of the state. Such bonds and warrants should be only those found to be within the limit of indebtedness prescribed by law for the taxing district issuing them and to be general obligations. (RCW 36.29.020, 43.84.080)

- Motor vehicle fund warrants when authorized by agreement between the state treasurer and the Department of Transportation requiring repayment of invested funds from any moneys in the motor vehicle fund available for state highway construction. (RCW 36.29.020, 43.84.080)

- Federal Home Loan Bank notes and bonds. (RCW 36.29.020, 43.84.080)

- Federal Land Bank bonds. (RCW 36.29.020, 43.84.080)

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[1] Not all available money is eligible for investment as allowed by Chapter 39.59 RCW. The Attorney General (AG) Opinion No. 132 (1961-62) states that the county general (current expense) fund's money must be in the form of cash or "that which is redeemable in cash upon demand, as a matter of fixed right." The AG Memorandum to the State Auditor dated March 20, 1989, reaffirms this opinion. Warrants are not demand instruments. They are not considered to be the equivalent of cash, redeemable upon demand, as matter of right, therefore county general (current expense) fund's money cannot be invested in them.

[2] Chapter 39.59 RCW expands the investment authority of local governments by allowing them to invest in "any investments authorized by law for the treasurer of the state of Washington or any local government of the state of Washington other than a metropolitan municipal corporation . . ." (RCW 39.59.020(4)). The AG memorandum to the State Auditor dated November 30, 1989, clarifies the scope of this increased authority. It states that if a certain type of investment authority did not exist for local governments prior to the enactment of RCW 39.59.020, but was authorized by section (4) of that statute, the restrictions contained in sections (1), (2), and (3) of the statute do not apply to those newly granted powers of investment. Therefore, local governments may choose the least restrictive investments from the above list of authorized investments. (See caution 4.)

- Federal National Mortgage Association notes, debentures and guaranteed certificates of participation. (RCW 36.29.020, 43.84.080)

- Obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system.
  - Federal Farm Credit Banks consolidated system-wide bonds and discount notes.
  - Federal Home Loan Mortgage Corporation bonds and discount notes.
  - Student Loan Marketing Association bonds and discount notes.
  - Export-Import Bank bonds.
  - Maritime Administration bonds. (RCW 36.29.020, 43.84.080)

- Bankers' acceptances purchased on the secondary market. (RCW 36.29.020, 43.84.080)

- Negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business with the United States. The investment should meet the criteria set by the State Investment Board. (RCW 36.29.020, 43.84.080)

- Commercial paper. The investment should meet the criteria set by the State Investment Board. (RCW 36.29.020, 43.84.080)

- Washington State Housing Finance Commission bonds. (RCW 43.180.190)

- Farm ownership and soil and water conservation loans fully guaranteed as to principal and interest under the Bankhead-Jones Farm Tenant Act and the Washington Land Bank. (RCW 43.33A.080)

- Bonds of the state of Washington and any local government in the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. (RCW 39.59.020(1))

- General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. (RCW 39.59.020(2))

- Registered warrants of a local government in the same county as the government making the investment, subject to compliance with RCW 39.56.030. (RCW 39.59.020(3))

- Any investments (e.g., certificates of participation) authorized by law for the treasurer of the state of Washington or any local government of the state of Washington other than a metropolitan municipal corporation but, except as provided in Chapter 39.58 RCW, such investments should not include certificates of deposit (CD) of banks or bank branches not located in the state of Washington. (See caution 4.) (RCW 39.59.020(4))

- Revenue bonds and notes issued by port districts under the authority of Chapter 54.34 RCW. (RCW 53.34.150)

- Selected mutual funds and money market funds. They are allowable investments <u>only</u> for money subject to federal arbitrage statutes and regulations (i.e., IRC Section 148).

  - Mutual funds with portfolios consisting of only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities of less than four years, or bonds described in RCW 39.59.020 (1) or (2), except that those bonds should have one of the four highest credit ratings of a nationally recognized rating agency;

- Money market funds with portfolios consisting of only bonds of states and local governments or other issuers authorized by law for investment by local governments, which bonds have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency;

- Money market funds with portfolios consisting of securities otherwise authorized by law for investment by local governments. (See caution 4.) (RCW 39.59.030)

- Notes or bonds secured by mortgage (insured or with a commitment to insure in obligations of national mortgage associations) by the Federal Housing Administrator. (RCW 39.60.010)

- Debentures issued by the Federal Housing Administrator. (RCW 39.60.010)

- Bonds of the Home Owner's Loan Corporation or any other corporation which is or may be created by the United States as a governmental agency or instrumentality. (RCW 39.60.010)

- Notes, bonds, or debentures of savings and loan associations, banks, mutual savings banks, savings and loan service corporations operating with approval of the Federal Home Loan Bank, and corporate mortgage companies that are rated not less than "A" by a nationally recognized rating agency, or are insured or guaranteed and backed as required by the statute. (RCW 39.60.050)

- Bonds or warrants of the state of Washington. (RCW 35.39.030)

- General obligation or utility revenue bonds or warrants of any city or town in the state of Washington. (RCW 35.39.030)

- Bonds or warrants (RCW 35.39.030) or installment notes (RCW 35.45.150) of a city's or town's own local improvement district which are within the protection of the local improvement guaranty fund law.

- Interim financing warrants of a local improvement district which is within the protection of the local improvement guaranty fund law for the benefit of the General (Current Expense) fund. (RCW 35.39.034)

- Bonds or other obligations issued by a metropolitan municipal corporation pursuant to Chapter 35.58 RCW. (RCW 35.58.510)

- Outstanding warrants of the county tax refund fund in the same county as the government making the investment subject to the provisions of RCW 36.33.070.

- Bonds or other obligations issued by a housing authority pursuant to the housing authorities law of this state or issued by any public housing authority or agency in the United States. (RCW 35.82.220)

NOTE: Per an Attorney General Memorandum dated February 8, 1991, cities and towns have the authority to invest in out-of-state CDs via RCW 35.39.030(6) and RCW 43.84.080(6). Restrictions on investments contained in RCW 39.59.020 do not apply to investment authority existing prior to the enactment of that statute (1988). Accordingly, local governments other than cities or towns would be restricted to investment in in-state CDs since they did not possess this authority prior to the enactment of RCW 39.59.020(4).

In addition to the securities listed above, municipalities may invest excess moneys in the Washington State Treasurer's Investment Pool (Chapter 43.250 RCW). The governing body of the municipality must authorize participation by passing an ordinance or resolution.

PUBLIC DEPOSITORIES

Except for funds deposited pursuant to a fiscal agency contract with the state fiscal agent or its correspondent bank, no public funds may be deposited in demand or investment deposits except in a qualified public depository or as otherwise permitted by statute. Total deposits of a treasurer in a depository may not exceed that depository's net worth (RCW 39.58.130).

A financial institution receives designation as a public depository from the Public Deposit Protection Commission (PDPC). This designation is readily verified, either from the institution (a letter of authority from the Commission) or from the PDPC. The PDPC publishes a quarterly list of each qualified depository and its net worth. This list will be furnished upon request by writing to:

Public Deposit Protection Commission
Office of State Treasurer
General Administration Building
PO Box 40206
Olympia, WA 98504-0206

CAUTIONS

1. Investments Allowed By Debt Covenants May Be More Restrictive Than Statutes

The debt covenants contained in bond indentures and the provisions of other agreements may be more restrictive than the statutes about the types of investments permitted for certain moneys.

2. Avoid Conflicts With The Laws Of Other States

Some corporations have sold instruments in Washington which require the issuer or holder to comply with laws of other states. It is questionable whether it is prudent or appropriate for a public treasurer in Washington to enter into such agreements.

3. SBA Loans Are Inherently Risky

In order for a business to qualify for a Small Business Administration (SBA) loan, it must usually have been unable to obtain credit at a financial institution. Hence, SBA obligations backed by SBA loans have weaker underlying credit than the standards in the money market. Although these loans are guaranteed by the federal government, default does not result in immediate liquidation. Some SBA investors are holding paper while the loan is "worked out." Also, federal guarantees do not extend to points paid.

4. State Constitution Prohibits Some Investments

Article VIII, Sections 5 and 7, and Article XII, Section 9 prohibit the state and local governments in the State from extending credit, giving money or property, or loaning money to individuals, associations, companies, or corporations. Therefore, except for the following exceptions, treasurers should not invest in stock of private companies or other investments which appear to be prohibited. Article XXIX, Section 1, provides that public pension, retirement, and industrial insurance trust funds be the ONLY exceptions, thus allowing any investment authorized by law. Any investment holdings in violation of the Constitution will be challenged.

5. PDPC Covers Losses As Provided By Statute

All public deposits in qualified public depositories are protected from loss as provided in Chapter 39.58 RCW, but there are some limitations. In the event of a loss due to default of a qualified public depository, the PDPC would:

a. Determine the net deposit liability of the defaulting institution after FDIC coverage.

b. Make assessments against all bank depositories or all thrift depositories, depending on whether the defaulting institution was a bank or a thrift institution:

- First, against the defaulting institution to the full extent of securities pledged as collateral.
- Second, against all other bank or thrift depositories, for their proportionate share of the loss, up to a maximum of 10 percent of each institution's public deposits. (RCW 39.58.060(3); 39.58.010(6).)

c. Represent all public treasurers for liquidation of the defaulting institution's assets to recover the remaining net deposit liability, if any exists after assessments against all bank or thrift depositories.

Treasurers should be aware that in the event of a default of a qualified depository, the funds in that institution could be tied up until deposit balances are certified and assessments are collected (RCW 29.58.060). Diversification of investments among various bank and thrift institutions could help alleviate potential cash flow problems.

6. Properly Name Accounts For Insurance Coverage

In order to maximize insurance coverage from FDIC care should be exercised to properly name deposit accounts so that ownership of such accounts is clear.

7. Consult Your Bond Counsel For Guidance On Arbitrage Restriction

The Tax Reform Act of 1986 placed tighter restrictions on tax-exempt bonds. Penalties for noncompliance include fines and, possibly, retroactive taxation on the bonds.

8. Repurchase Agreements Require Proper Procedures to Avoid Loss

Recent losses suffered by local governments indicate the need for treasurers to participate in repurchase agreements (repos) with adequate procedures and knowledge of the mechanics of repo transactions.

a. Treasurer Must Have Control Of Securities In Repos

Each repo must be structured so that one of the following events occurs for the period of time that the repo is effective:

(1) Either of the procedures called DVP (delivery versus payment) whereby:

a) The treasurer obtains physical delivery of the underlying securities; OR
b) The underlying securities are delivered to a third party, such as a safekeeping bank acting as an agent for the public treasurer; OR

(2) The underlying securities are delivered to a bank's trust division (not within its operating division) for the account of the public treasury, when the repo is being done with the same institution.

This delivery may be made either physically or by book entry. Book entry is a system of handling securities. The Federal Reserve Bank's system is a securities safekeeping arrangement between the Fed and its customers. All US government agencies' issues exist only in book entry form, in computerized files, rather than in definitive (engraved paper) form. Under the system, book entry securities are transferred electronically between accounts based on input from the depository institution transferring securities from its account.

b. Do Not Invest In "Pooled" Or "Master" Repos

Some dealers offer repos where a treasurer invests in a pool of securities held by a trustee. Statements from the trustee list the securities; however, no "owner" is listed on the statement. The statements only reference a pool number. Treasurers have no way to assure themselves that the dealer has not oversold the securities. In the event of a dealer's default, the treasurer may discover the pool does not cover all of the claims of its investors. Where securities involved in repos are being held by trustees or a bank's trust division, the treasurer must require that the securities be held in his or her name.

c. Market Value Of Securities Should Cover The Investment

Treasurers should assure themselves that they are adequately protected from a sudden decline in the market value of the securities they have purchased. Some authorities recommend that the market value of the underlying securities exceed the amount to be received at the end of the agreement, thus protecting principal and interest. It is common practice in the industry for an excess of market value over the cash paid, called a market or "haircut", to be built into the agreement to protect against declines in the market value of the underlying securities.

The local treasurer should review (reprice) the market value of the underlying securities periodically to make sure it has not fallen below an acceptable level, placing part of the entity's principal and earnings at risk. Should such a decline in value occur, additional securities should be obtained or part of the entity's principal should be recovered. The size of the margin built into the agreement should reflect the price volatility of the underlying securities, the frequency of repricing, and the length of the repo.

d. Evaluate Financial Position Of Security Dealers

Treasurers should screen and evaluate the integrity of dealers from whom they will purchase securities. Many dealers are unregulated. Many authorities recommend that treasurers deal only with the primary security dealers. Dealers of money market or mutual funds must have bonds posted with the risk management office of the department of general administration per RCW 39.59.010.

e. Obtain Written Contracts

Local governments should establish their rights in repos through written contracts. A written contract will specify, among other things, the right of the local government to liquidate the underlying securities in the event of default by the dealer and directions for the delivery of the underlying securities. This written contract may take the form of a master agreement covering all future transactions or a transaction agreement covering a single transaction.

Local governments should also have a written contract with a custodial agent, usually a bank, specifying the responsibilities of that third party. Such a written contract, called a custodial agreement ensures that the entity's custodian is an independent third party to the repo transaction. Among the custodial responsibilities that may be specified in a written contract are:

1) The custodian's responsibility to disburse cash for repos only on delivery of the underlying securities;

2) The custodian's responsibility to obtain additional securities if the required margin on the repo agreement is not maintained;

3) The custodian's responsibility for periodic reporting to the entity on the market value of the securities.

f. Beware Of Pitfalls

No treasurer should participate in repos without a thorough knowledge and understanding of what repos are and how they work. Every treasurer should be aware of the pitfalls and why other governments have suffered losses.

NOTE: The BARS material on investments is intended to inform local treasurers of the State Auditor's current audit standards and to provide information on current legal authority questions and on prudent investment standards. This material does not constitute a legal opinion on the validity of any particular investment. The State Auditor does not intend to imply that a treasurer who follows the standards set forth in these materials will thereby avoid any possibility of a loss of public funds. Each treasurer must exercise his or her best professional judgment in selecting particular investments, relying where appropriate on legal and other professional assistance.

Municipal Utility Deposits

A public utility may require deposits from its customers for either initial or restoration services, provided the deposits are reasonable and not discriminatory. A utility is not required to return accrued interest on those deposits, except upon request.

Although there is no legal requirement to provide the information concerning the noninterest bearing nature of the utility deposits, it would be a prudent business practice to notify customers in applications for utility services.

The interest accrued on customer deposits belongs to the appropriate utility fund and can be transferred to the general (current expense) fund under the following circumstances:

- Second class cities may transfer the excess income to the general (current expense) fund (RCW 35.23.535).
- Cities under 20,000 (except first class) and code cities (RCW 35A.37.010) must transfer any surplus in utility funds to the general (current expense) fund unless the legislative body finds the money unnecessary for certain utility fund purpose (RCW 35.37.020).

The balance sheet accounts to be used for these deposits are as follows:

BARS	Account Names
Cash Received	Restricted Assets - Cash (appropriately subdivided)
Cash Invested	Restricted Assets - Investments (appropriately subdivided)
Liability	Deposits Payable from Restricted Assets
NARUC - Water/Sewer **FERC - Electric/Gas**	
Cash Received	Other Special Deposits - Cash (appropriately subdivided)
Cash Invested	Temporary Cash Investments (appropriately subdivided)
Liability	Customer Deposits

Investment Of Superior Court Trust Funds

Pursuant to RCW 36.48.090, whenever the clerk of the superior court has moneys held in trust for any litigant or for any purpose, they should be deposited in a separate bank account designated *Court Trust Fund*. These moneys should not be commingled with any public funds. The clerk is subject to the same investment limitations as the county treasurer (RCW 36.29.020). See Part 3, Chapter 6, Section A on investments.

Interest Income

Unless provided otherwise, interest earned on trust investments should be forwarded to the county treasurer as current expense fund revenue. If however, the trust principal amounts to $2,000 dollars or more and a litigant in the matter had filed a written request, the interest should be held in trust and paid to the beneficiary upon termination of the trust. The clerk should assess a five percent investment service fee, subject to statute limitations, on interest earned on behalf of beneficiaries.

All litigants not represented by an attorney and who have $2,000 dollars or more being held by a superior court clerk should receive written notice of the provision for receiving interest income on the funds.

Accounting Requirements

a. All purchases of investments should be by check or electronic fund transfer (EFT) drawn on the Court Trust Fund.

b. All investments sold should be receipted with Court Trust Fund receipts. We encourage clerks to instruct financial institutions to pay all interest earnings to the Court Trust Fund. However, if the county chooses to use direct interest credits to investment accounts, the clerk should reconcile the interest at least quarterly.

c. Clerks making trust fund investments must maintain an investment ledger:

(1) Sufficient to indicate the total amount of funds invested at any given time (a control account).

(2) Listing each investment purchased by purchase date, trust account check number or EFT number, description of investment and identification (passbook or C.D. number, financial institution holding investment, interest rate, maturity date, etc.) and purchase price.

(3) Showing for each investment sold: total proceeds, interest due the current expense fund, interest due other recipients, sales date, clerk's receipt number, and investment fee.

(4) There must be an individual ledger card for each case. The ledger cards should be reconciled to the investment ledger periodically. Ledger cards should contain the name, address, case number, the investment balance and accrued interest. A form similar to the attached sample will be acceptable.

d. Investment interest earnings remitted to the current expense fund and investment service fees deducted from interest due to others should be coded to the resource account designated in Part 1, Chapter 3.

e. Moneys to be paid to the county treasurer should be remitted each month together with other remittances.

f. Interest paid to litigants in excess of $10 must be reported to the Internal Revenue Service.

INVESTMENT RECORD

Line No.	Date Purchased	Description	Purchase Price	Date Sold	Sales Price	Receipt Number	Investment Fee	Interest Earnings	To Be Remitted to Beneficial Owner	To Be Remitted to Treasurer	Investment Balance		Line No.
											Debit	Credit	

Many local governments have agreed to maintain a predetermined average daily balance in noninterest bearing bank accounts to compensate banks for handling the government's bank services.

In many cases, there is no rational relationship between the interest which the local government would have earned on the deposit and the amount that would have been paid for bank services.

In the event a decision is made to maintain a compensating balance, the local government should:

- Obtain proposals on bank service charges from several banks.
- Document with historical and statistical evidence that the interest foregone is substantially equivalent to or less than the proposed bank service charges.

When a public utility levies taxes for operating purposes, general obligation bond redemption, or capital construction, a receivable should be recognized.

Utilities using the BARS are provided general ledger account 121.00, *Taxes Receivable*. Because utilities using another prescribed system, such as Federal Energy Regulatory Commission (FERC) or National Association of Regulatory Utility Commissioners (NARUC) do not have a taxes receivable account, they are advised use the general ledger account *Other Accounts Receivable*.

In all systems of accounts, the taxes levied for operating purposes should be shown as a nonoperating revenue on the operating statement. Taxes levied for general obligation bond redemption are for principal and interest. The interest portion is shown as a nonoperating revenue and the principal portion is treated as a reduction in the payable.

DEFINITIONS

Generally, the term *capital assets* means real and personal property the government intends to use or keep for more than one year. Capital assets include land and land rights; improvements and infrastructure; buildings, their furnishings, fixtures, and furniture; equipment, machinery, vehicles, and tools. The term *infrastructure* means roads, bridges, sidewalks, water lines, sewers, drainage systems, and the like. Infrastructure should be capitalized in all funds. See Part 4, Chapter 2, Section E, *Infrastructure*.

For purposes of this section, the term *accounting* is limited to the procedures of keeping books and preparing financial reports (reporting requirements are covered in Part 4); accounting is one way, but by no means the only way, of demonstrating accountability.

Accountability means the obligation to demonstrate good management of or control over those matters for which a person or agency is responsible. The local governments are accountable for a lot more capital assets than they may ever account for. For example, most local governments do not account for the value of their small assets but they are accountable for these assets.

A *capital assets management system* is the set of policies and procedures used to control government's capital assets. The system should satisfy accounting/reporting requirements and it should demonstrate accountability for the governments capital assets. It is different that the asset management system required for infrastructure assets using the modified approach. See Part 4, Chapter 2, Section E, *Infrastructure* for more details on the modified approach.

GENERAL REQUIREMENTS

Specific requirements of the State Auditor' Office are contained in subsequent sections of this chapter. In addition, the federal government has issued property management requirements, which apply to all governments that receive federal assistance. Each federal agency has published a *Federal Agency Implementation of the Common Rule*. Excerpts from the Common Rule have been included in this section. Note that these requirements involve broad stewardship responsibilities and specific accounting records.

RATIONALE

The duty to make certain that public property is adequately protected and that its use is properly managed is one of the fundamental responsibilities of public officials. For some types of local governments, the statutes are quite specific about the things that public officials have to do to demonstrate their stewardship of public property. For example, county commissioners are required to inventory all county capitalized assets annually, and the statute is very specific about the content of the inventory report (RCW 36.32.210). But regardless of whether or not the statutes for the particular government identify any specific duties, public officials have several broad responsibilities with respect to capital assets; these are custody, insurance, maintenance and planning.

Custody

The responsibility for custody means having the answers to such questions as:

What property and equipment does this government own?
Where is it?
What condition is it in?
Is it protected from loss and unauthorized use?

Insurance

The second major responsibility for capital assets is providing adequate insurance. A capital asset accounting system should provide adequate records to prove any losses. Location, inventory, and maintenance records will confirm that a lost or damaged asset has been in use recently, which will support the validity and timeliness of a theft or damage report. In addition, when a government has elected to self-insure to some degree, the officials should obtain an independent evaluation of the extent of the risk that has been assumed, which cannot be done without knowing what assets are at risk.

Maintenance and Repair

The third major responsibility is maintenance. As a steward of public property, an official has the obligation not only to safeguard assets from loss but also to ensure they are not neglected or wasted. The local government should not find itself surprised by building or equipment repair or maintenance requirements or by predictable problems with down time and availability of spare parts.

The basic requirements for demonstrating stewardship in maintaining public property are evidence that, first, the governmental unit knows what maintenance is required to preserve its assets and that it schedules that maintenance; and, second, that needed repairs are promptly identified and performed. In the area of maintenance, record keeping requirements vary according to the kind of asset and its durability. The local government should have adequate historical data to make informed decisions about the costs of certain levels of maintenance or intentional neglect.

Planning (Capital Budgeting and Utilization)

The fourth general category of responsibility is planning for future asset needs both short and long ranges. Here you need answers to questions such as:

> How well is the government using the facilities and equipment it already has?
>
> What does the government already own that could be transferred to another facility instead of purchasing additional equipment?
>
> Which items must be replaced, when and at what cost?
>
> When will additional facilities or equipment be needed, where and at what cost?
>
> Which facilities or equipment will not be needed, and what cost reductions in maintenance, insurance, and security will result from liquidating them?

The extent and nature of capital planning will vary a great deal, depending on such factors as the size of the governmental unit, whether demand for its services is stable or changing, whether its functions are capital intensive (like public works and utilities) or labor intensive (like education and welfare services), and how capital outlays are funded (through rates, general taxes, special bond issues, or grants).

Federal **Common Rule** Excerpts for Property Management

1. All federal agencies administering programs that involve grants are to issue a common grants management rule (Common Rule). The excerpts listed below are the general rule, however some agencies may publish deviations from the Common Rule due to statutory requirements.

2. Real Property

   a. **Title**. Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.

   b. **Use**. Except as otherwise provided by federal statutes, real property will be used for the originally authorized purposes as long as needed for that purposes, and the grantee or subgrantee shall not dispose of or encumber its title or other interests.

   c. **Disposition**. When real property is no longer needed for the originally authorized purpose, the grantee or subgrantee will request disposition instructions from the awarding agency. The instructions will provide for one of the following alternatives:

      (1) **Retention of title**. Retain title after compensating the awarding agency. The amount paid to the awarding agency will be computed by applying the awarding agency's percentage of participation in the costs of the original purchase to the fair market value of the property. However, in those situations where a grantee or subgrantee is disposing of real property acquired with grant funds and acquiring replacement real property under the same program, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.

      (2) **Sale of property**. Sell the property and compensate the awarding agency. The amount due to the awarding agency will be calculated by applying the awarding agency percentage of participation in the cost of the original purchase to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the grant is still active, the net proceeds from sale may offset against the original cost of the property. When a grantee or subgrantee is directed to sell property, sales procedures shall be followed that provide for the competition to the extent practicable and result in the highest possible return.

      (3) **Transfer of title**. Transfer title to the awarding agency or to a third party designated/approved by the awarding agency. The grantee or subgrantee shall be paid an amount calculated by applying the grantee or subgrantee's percentage in participation in the purchase of the real property to the current fair market value of the property.

3. Equipment

   a. **Title**. Subject to the obligations and conditions set forth in this section, title to the equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.

   b. **Use**.

      (1) Equipment should be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a federal agency.

(2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.

(3) The grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by federal statute.

(4) When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.

c. **Management requirements**. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include:

(a) a description of the property
(b) a serial number or other identification number
(c) the source of property
(d) who holds title
(e) the acquisition date and cost of the property
(f) percentage of federal participation in the cost of the property
(g) the location, use and condition of the property
(h) any ultimate disposition data including the date of disposal and sales price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition.

(5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

d. **Disposition**. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a federal agency, disposition of the equipment will be made as follows:

(1) Items of equipment with a current per-unit fair market value of less than $5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

(2) Items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency share of the equipment.

(3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

e. **Federal equipment**. In the event a grantee or subgrantee is provided federally owned equipment:

(1) Title will remain vested in the federal government.

(2) Grantees or subgrantees will manage the equipment in accordance with federal agency rules and procedures, and submit an annual inventory listing.

(3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the federal agency.

f. **Right to transfer title**. The federal awarding agency may reserve the right to transfer title to the Federal Government or a third party named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers should be subject to the following standards:

(1) The property shall be identified in the grant or otherwise made known to the grantee in writing.

(2) The federal awarding agency shall issue disposition instructions within 120 calendar days after the end of the federal support of the project for which it was acquired. If the federal awarding agency fails to issue disposition instructions within the 120 calendar-day period the grantee shall follow the proceeding guidelines provided in Disposition, (Subsection d).

(3) When title to equipment is transferred, the grantee shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

5. Supplies

a. **Title**. Title to supplies acquired under a grant or subgrant will vest, upon acquisition, in the grantee or subgrantee respectively.

b. **Disposition**. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or subgrantee shall compensate the awarding agency for its share.

6. Copyrights

The federal awarding agency reserves a royalty-free, non exclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for Federal Government purposes:

a. The copyright in any work developed under a grant or subgrant; and

b. Any rights of a copyright to which a grantee, subgrantee or a contractor purchases ownership with grant support.

Designing and establishing a capital asset system requires systematic planning. These plans fall into three basic areas:

1. Establishing the objectives of the capital asset system and making permanent policy decisions, which will shape both the initial establishment of, capital asset inventory and maintenance of the system. (See Part 3, Chapter 7, Sections A and C for capital asset record requirements and Sections D and E for the system maintenance.) See also Section F for the asset management system required for the modified approach applicable to infrastructure.

2. Designing the plan for taking the initial inventory, for verifying and testing the data, and for establishing a value for each recorded asset.

3. Determining when and how to implement controls over additions and deletions to the capital asset inventory.

A detailed guide for establishing a capital asset system is available on request from the State Auditor's Office.

An adequate capital asset accounting system should enable the government to meet statutory requirements, to produce adequate records and reports, and to safeguard assets properly.

The basis of a capital asset accounting system is the individual capital asset record. It is necessary to apply careful thought to designing the capital asset record so that the government can accumulate the information it will want later on. Generally it is too costly to reconstruct this data at a later date. The sample format illustrated in this chapter has been designed to collect most of the important data about capital assets; however, not all of this information is mandatory. The following minimum information is required for all capital assets. Chapter 7, Sections F and G identify additional requirements for infrastructure and internal service fund capital assets.

1.	Category of asset, custody and general ledger asset account.	(Boxes 1 - 5)
2.	Acquisition information, including reference to source documents and acquisition dates.	(Boxes 6a - 6c)
3.	Changes in custody or use.	(Boxes 2 and 6a - 6c)
4.	Source of payment (fund, grants, etc.), historical cost, and account numbers.	(Boxes 6d - 6f)
5.	Description of asset, including legal descriptions where applicable.	(Box 7)
6.	Disposition information.	(Box 14)

Other information that is desirable, but not mandatory, includes the following:

1. Brief directions on where/how to locate the asset.
2. Special insurance, maintenance, and repair instructions.
3. Class code or location code if used.
4. Physical inspection dates and condition of asset when it was inspected.

The areas left blank on the sample format (items 8, 12 and 13) are used in different ways depending on the type of asset recorded. Specific formats for various types of assets are available on request from the State Auditor's Office.

This format can be used for two different purposes:

1. In a small system the individual records can serve as the subsidiary ledger to support capital asset general ledger accounts as well as providing the other data needed for proper management of capital assets. These records are designed for use as a subsidiary ledger. Account number and name, cost and depreciation information are all in the same place on each form for ease in sorting and totaling. If the records are used as a subsidiary ledger, they must be numerically controlled.

2. For automated systems, these records can be used as input documents or as a guide for the data fields to design into a computerized capital asset subsidiary ledger.

1. ASSET TYPE:	2. Custody/Assignment:
ID No.:	3. Fund:
4. ASSET ACCOUNT NAME:	5. ASSET ACCOUNT NUMBER:

6. CUMULATIVE COST HISTORY

a. Acquisition/ Disposal Date	b. Doc. Date	c. Doc. No.	d. Source of Payment	e. Acct. No.	f. Cost

7. GENERAL DESCRIPTION

8.

9. SPECIAL INSURANCE, MAINTENANCE, REPAIR, ETC., INSTRUCTIONS

10. CUMULATIVE DEPRECIATION/DEPLETION

(Estimate Asset Life = _____ years)

a. Date	b. Doc. No.	c. Current Year	d. Cumulative

11. PHYSICAL VERIFICATION					
a. Date	b. Comments	c. Conditions	a. Date	b. Comments	c. Conditions

12.

13.

14. ASSET DISPOSAL INFORMATION

a. Sold/Traded to:

b. Disposition Date:

c. Receipt No.:

d. Disposition Authorization:
(1) Date (2) Source

e. Proceeds of Sale/Insurance Claim

f. Less: Net Book Value (_____)

g. Gross Gain (Loss)

h. Less: Amount Due to Grants (_____)

i. Net Gain (Loss)
==========

j. Grantor Notification Date:

k. Grantor Disposal Instructions:

Once the capital asset system is in operation, the government needs to make sure that assets which should be capitalized are properly recorded and that records are brought up to date when assets are disposed. Use of a standard form assures that the information needed for recording capital asset transactions is promptly collected and processed. A sample form for this purpose is contained in Chapter 7, Section C. In addition, periodic physical inventories must be taken to verify the existence and condition of the assets. These inventories must be reconciled to capital asset records and reports (see Chapter 7, Section E).

TRANSACTIONS TO RECORD

Each time the local government acquires or disposes of a capital asset, transfers an asset between locations, charges depreciation expense or makes an adjustment, an entry must be made on the individual capital asset record. Internal controls must be established to insure that these transactions are properly and promptly recorded. If capital asset disposals or transfers are numerous, a capital asset journal should be used to record and control these changes. It is a good idea to always write detailed explanations of these entries, especially for disposals of assets, because it is difficult to reconstruct the circumstances of a transaction at a later date. If a capital asset journal is used, the general ledger and subsidiary capital asset accounts should be posted from this journal.

1. Capitalization policy defines what assets should be added to the system by specifying dollar limits: that policy should also specify the treatment of capital leases, procedures for accumulating costs for self-constructed assets, requirements for controlling small attractive assets that are not capitalized and accounting for infrastructure. Personnel should be thoroughly familiar with and trained to recognize and code capital outlays properly and to understand the government's capitalization policy.

2. For additions, procedures must be implemented to assure that the property systems accountant automatically receives a copy of the receiving report or the invoice. He/she should also receive a copy of all lease agreements, progress billings on construction contracts, and worksheets that itemize the costs of assets constructed in-house.

3. For deletions, procedures must be implemented to assure that the property systems accountant automatically receives all resolutions/ordinances that declare property surplus, all property insurance claims, and itemized invoices for acquisitions that involve trade-ins. Oversights are difficult to avoid entirely, but they will be detected and corrected when physical inventories are taken.

4. For small attractive assets that are not capitalized, a policies and procedures manual should contain instructions for adding and deleting these assets from the control lists used to monitor them.

5. Procedures must be established to account for transfers whenever an asset changes location, custody or fund. These procedures should list the steps for preparing and approving of transfer documents and notifying the accountant responsible for maintaining the capital asset records.

6. The property accountant must perform several different reconciliations and analyses:

    a. Reconcile physical inventory to individual capital asset records (see Chapter 7, Section C);

    b. Reconcile individual capital asset records to general ledger asset accounts;

    c. Reconcile capital outlay expenditures (594) to total additions of capital assets;

    d. Analyze subobject detail for additions to lists of not capitalized small attractive assets;

e. Reconcile significant capital grants shown on the grant inventory with increases to the capital asset accounts.

f. Analyze proceeds from insurance claims and sales or auction lists, claims reports, etc., to total capital asset disposals;

g. Reconcile capital assets transferred to other locations, custody or funds with capital assets transferred from other locations, custody or funds.

COST

Original cost (historical cost) is the amount spent to acquire an asset. This cost is based on the actual price paid, including related taxes, commissions, installation costs and any other costs related to acquiring the asset or preparing the asset for use. The actual price should approximate fair market value. If the information regarding original cost is not available, the government needs to estimate the original cost. This cost principle applies to both governmental and proprietary capital asset acquisitions.

Several unique circumstances arise when determining cost, particularly in utility accounting. The following are the more frequent accounting problems related to *cost*, but the discussion is not meant to be all-inclusive.

Excess Costs

A basic accounting concept is that capital assets should be recorded at cost. However, GAAP does provide that expenditures/expenses, which do not add to the utility of an asset, should not be capitalized. For example, an expenditure to repair a piece of equipment that was damaged during shipment should be expensed. Each capital asset purchase should be analyzed carefully to determine which portions of the cost should be capitalized.

Similar treatment is mandated by certain regulatory agencies. For example, FERC provides that any amounts incurred for plant additions that are in excess of just and reasonable charges should be included in the account *Other Deductions*. Likewise, if excess costs are incurred to replace individual units of property damaged in a storm so as to restore the utility system to operating condition without delay, then only the normal or fair cost is charged to plant, the balance to maintenance.

Acquisition Adjustments

Original cost in the FERC and NARUC accounting systems means the cost of such property to the person first devoting it to public service. When a system or plant already in operation is purchased by a utility, the NARUC and FERC accounting systems require charging the difference between the cost to the acquiring utility and the *original cost* (estimated if not known and net of accumulated depreciation) to an intangible asset account *Plant Acquisition Adjustments*. Such debits would then be amortized over a period not to exceed the remaining life of the property.

Capitalization of Interest

Interest costs incurred during the period an asset is under construction should **not** be capitalized.

Donated Assets

Assets are sometimes donated to a government. If the donation is cash to be used in conjunction with the construction of a specific asset, the donation is reported as revenue (367, *Contribution and Donations from Private Sources*) in governmental funds; in proprietary funds, 379, *Capital Contributions*.

If the asset contributed is other than cash, it should be reported at the fair market value on the date of donation.

If the government intends to sell the donated capital assets, the following treatment is recommended:

> If the government has sold the capital assets by the end of the fiscal year, the governmental fund would report revenue in the operating statement (369.90, *Other Miscellaneous Revenue*).
>
> If the government had not managed to sell the capital assets by the end of the fiscal year, but it did succeed in selling them prior to the issuance of financial statements, the government's fund balance sheet should report the capital assets as assets held for resale (G.L. account 193.70) and revenue would be reported in the governmental fund's operating statement (369.90, *Other Miscellaneous Revenue*).
>
> If the government had not managed to sell the capital assets by the time the financial statements were issued the assets should be reported as a capital asset at year-end. When the capital assets were eventually sold, they would be treated just the like any other sale of capital assets (395, *Disposition of Capital Assets*).

If the asset is utility plant and the fair value exceeds *original cost*, see the Acquisition Adjustments paragraph above. Electric and gas utilities need to make a year-end adjustment for FERC reporting. (See Chapter 7, Section F, Depreciation.)

Improvement/Repair/Maintenance Expenditures/Expenses

Routine repair and maintenance costs should be expensed as they are incurred. Major repairs should be capitalized if they result in betterments/improvements. The difficulty arises in the case of capital outlays that are partly replacements and partly betterments/improvements. To the extent that the project replaces the "old" part of a capital asset, outlays should not be capitalized (unless cost of the "old" part was removed from the cost of the asset); and to the extent that the project is betterment/improvement, outlays should be capitalized. The distribution of the total cost in such a case is a matter of managerial determination. When the distinction between replacement and betterment/improvement is not easily determinable, the government should expense the entire cost of the project.

When the cost of improvement is substantial or where there is a change in the estimated useful life of an asset, depreciation charges for future periods should be revised based on the new book value and the new estimated remaining useful life. No adjustment should be made to prior periods.

JOURNAL ENTRIES

The journal entries illustrated on the following pages are examples of how various types of capital asset transactions are recorded.

NOTE: Although the GASB Statement 34 eliminated the general capital assets and the general long-term debt account groups, the local governments may still use the groups and related accounts for accounting purposes.

The entries are shown for both governmental and proprietary funds.

Funds/Account Groups***	Governmental Funds Capital Asset Acquisition/Disposition	DR	CR	Proprietary Funds Capital Asset Acquisition/Disposition	DR	CR
Example No. 1: Record the cash purchase of a copy machine for $15,000. The cost included taxes and set-up fees.						
Purchasing Fund General Ledger	*292.20 Expenditure Control 111.10 Cash	15,000	 15,000	186.XX Equipment 111.10 Cash	15,000	 15,000
Subsidiary Ledger(s) Expenditure/Use Ledger	594.XX.64 Capital Expenditures (Use appropriate department code illustrated in Part 1, Chapter 4.)	15,000				
General Fixed Asset Account Group***	186.XX Equipment 278.40 Investment in General Fixed Assets - from General Fund	15,000	 15,000	N/A		
Example No. 2: Record the purchase of a computer on a 5-year installment purchase contract or lease-purchase agreement. The cost included taxes. Set-up fees of $200 were paid separately.						
Purchasing Fund General Ledger	*292.20 Expenditure Control 111.10 Cash *292.30 Other Financing Sources Control	25,200	 5,200 20,000	186.XX Equipment 111.10 Cash 235.50 Current Leases and Installment Purchases Payable 263.50 Other Long-Term Liabilities - Leases and Installment Purchases	25,200	 5,200 5,000 15,000
Subsidiary Ledger(s) Expenditure/Use Ledger Revenue/Source Ledger	594.XX.66 Capital Expenditures 594.XX.41 Capital Expenditures 391.50 Proceeds of Capital Leases and Installment Purchases	25,000 200	 20,000			
General Fixed Asset Account Group***	186.XX Equipment 278.40 Investment in General Fixed Assets - from General Fund	25,200	 25,200	N/A		
General Long-Term Debt Account Group***	197.40 Amount to be Provided 263.50 Leases and Installment Purchases	20,000	 20,000	N/A		
Example No. 3: Record the donation of a 10-acre tract of land with a fair market value of $100,000. (Land will be kept.) **						
Receiving Fund General Ledger	N/A			171.XX Land 379.00 Capital Contributions	100,000	 100,000
Subsidiary Ledger(s)	N/A					
General Fixed Asset Account Group***	171.XX Land 278.80 Investment in General Fixed Assets - from Private Contributions	100,000	 100,000	N/A		

* If you do not use these control accounts then the entry would be posted to expenditure or revenue account.

** This entry for governmental funds may vary depending on the government plan for those assets.

*** See note on page 13.

Funds/Account Groups***	Governmental Funds Capital Asset Acquisition/Disposition	DR	CR	Proprietary Funds Capital Asset Acquisition/Disposition	DR	CR
Example No. 4: Record the purchase of a copy machine for $15,000 cash less a trade-in allowance of $1,500. The old machine cost $5,000 with accumulated depreciation of $4,000. Taxes and set-up costs are included.						
Purchasing Fund General Ledger	*292.20 Expenditure Control 111.10 Cash *292.30 Other Financing Sources Control **OR** *292.20 Expenditure Control 111.10 Cash	15,000 15,000 	 13,500 1,500 15,000	186.9X Accumulated Depreciation 186.XX Equipment (New) 186.XX Equipment (Old) 111.10 Cash (Note: This example follows APB Opinion 29, Accounting *for Nonmonetary Transaction*. See Examples 6, 8 and 9 for recording a gain or loss.)	4,000 14,500 	 5,000 13,500
Subsidiary Ledger(s) Expenditures/Use Ledger Revenue/Source Ledger	594.XX.64 Capital Expenditures 395.10 Proceeds from Sales of Capital Assets	15,000 	 1,500			
General Fixed Asset Account Group***	186.XX Equipment 278.40 Investment in General Fixed Assets - from General Fund 186.XX Equipment 278.40 Investment in General Fixed Assets - from General Fund (Note: The new capital asset should be recorded at what would have been its price without a trade-in ($15,000).)	15,000 5,000 	 5,000 15,000	N/A		
Example No. 5: Record the purchase of a computer financed 90% with federal funding (HUD) and 10% local funding. The asset cost is $20,000, including tax and set up costs.						
Purchasing Fund General Ledger	134.XX Due from Other Governments *292.20 Expenditure Control 111.10 Cash *292.10 Revenue Control	18,000 20,000 	 20,000 18,000	134.XX Due from Other Governmental Units 186.XX Equipment 374.00 Capital Contributions - Federal 111.10 Cash	18,000 20,000 	 18,000 20,000
Subsidiary Ledger(s) Expenditures/Use Ledger Revenue/Source Ledger	594.XX.64 Capital Expenditures 331.14.20 Direct Federal Grants-HUD	20,000 	 18,000			
General Fixed Asset Account Group***	186.XX Equipment 276.14.20 Investment in General Fixed Assets - from Federal Grants 278.40 Investment in General Fixed Assets - from General Fund	20,000 	 18,000 2,000	N/A		

* If you do not use these control accounts then the entry would be posted to expenditure or revenue account.

*** See note on page 13.

Funds/Account Groups***	Governmental Funds Capital Asset Acquisition/Disposition	DR	CR	Proprietary Funds Capital Asset Acquisition/Disposition	DR	CR
Example No. 6: Record the cost ($50,000) of re-roofing the fire department. The original cost of roof components was $15,000 (if proprietary fund accumulated depreciation of $14,000). The project was financed from resources from the special revenue fund.						
Purchasing Fund General Ledger	*292.20 Expenditure Control 111.10 Cash	50,000	 50,000	173.XX Buildings and Structures 173.9X Accumulated Depreciation *292.14 Nonoperating Revenue Control 173.XX Buildings and Structures 111.10 Cash	50,000 14,000 1,000	 15,000 50,000
Subsidiary Ledger(s) Expenditures/Use Ledger	594.22.48 Capital Expenditures	50,000		395.90 Net Book Value of Retired Assets	1,000	
General Fixed Asset Account Group***	172.XX Buildings and Structures 278.50 Investment in Fixed Assets - from General Fund 172.XX Buildings and Structures 278.50 Investment in General Fixed Assets - from Special Revenue Fund	50,000 15,000	 15,000 50,000	N/A		
Example No. 7: Record the construction of a new jail costing $18,000,000. 80% of the project is funded by the Washington State Jail Commission and the remaining 20% were raised through the issuance of G.O. Bonds. The jail is 50% complete at year-end.						
Purchasing Fund General Ledger	(Capital Projects Fund) 134.XX Due from Other Governments *292.10 Revenue Control 111.10 Cash *292.30 Other Financing Sources Control *292.20 Expenditure Control 111.10 Cash	7,200,000 3,600,000 9,000,000	 7,200,000 3,600,000 9,000,000	134.XX Due from Other Governments 374.00 Capital Contributions - State 111.10 Cash 251.12 G.O. Bonds Payable 189.XX Construction in Progress 111.10 Cash Note: When the project is complete, a final entry is required: 173.XX Buildings and Structures 189.XX Construction in Progress	7,200,000 3,600,000 9,000,000 18,000,000	 7,200,000 3,600,000 9,000,000 18,000,000
Subsidiary Ledger(s) Expenditures/Use Ledger Revenue/Source Ledger	594.23.65 Capital Expenditures 334.01.6X State Grant - Jail Commission 391.10 Other Financing Sources - G.O. Bond Proceeds	9,000,000	 7,200,000 3,600,000			
General Long-Term Debt Account Group***	197.40 Amount to be Provided 251.12 G.O. Bonds Payable	3,600,000	 3,600,000	N/A		

* If you do not use these control accounts then the entry would be posted to expenditure or revenue account.
*** See note on page 13.

Funds/Account Groups***	Governmental Funds Capital Asset Acquisition/Disposition			Proprietary Funds Capital Asset Acquisition/Disposition		
		DR	CR		DR	CR
General Fixed Asset Account Group***	189.XX Construction in Progress 277.01.60 Investment in General Fixed Assets - from State 278.60 Investment in General Fixed Assets - from G.O. Bonds Note: When the project is complete, a final entry is required: 173.XX Buildings and Structures 189.XX Construction in Progress	9,000,000 18,000,000	 7,200,000 1,800,000 18,000,000	N/A		
Example No. 8: Record the sale of word processing equipment costing $8,500 (if proprietary fund accumulated depreciation of $6,000). The asset was sold for $900.						
Selling Fund General Ledger	111.10 Cash *292.30 Other Financing Sources Control	900	 900	111.10 Cash *292.30 Other Financing Sources Control 186.9X Accumulated Depreciation 186.XX Equipment *292.30 Other Financing Sources Control	900 2,500 6,000	 8,500 900
Subsidiary Ledger(s) Revenue/Source Ledger	395.10 Proceeds from Sales of Capital Assets		900	395.10 Proceeds from Sales of Capital Assets 395.90 Net Book Value of Retired Assets	 2,500	900
General Fixed Asset Account Group***	278.40 Investment in General Fixed Assets - from General Fund 186.XX Equipment	8,500	 8,500	N/A		
Example No. 9: Record the write-off of a building, which was destroyed by fire. The building cost $200,000 (if proprietary fund, accumulated depreciation was $183,000). Insurance proceeds of $180,000 were received.						
Disposing Fund General Ledger	111.10 Cash *292.30 Other Financing Sources Control	180,000	 180,000	111.10 Cash 173.9X Accumulated Depreciation *292.14 Nonoperating Revenue Control 173.XX Buildings and Structures *292.14 Nonoperating Revenue Control	180,000 183,000 17,000	 200,000 180,000
Subsidiary Ledger(s) Revenue/Source Ledger	395.20 Compensation for Loss of Capital Assets - Insurance Recoveries		180,000	395.90 Net Book Value of Retired Assets 395.20 Compensation for Loss of Capital Assets - Insurance Recoveries	17,000	 180,000
General Fixed Asset Account Group***	278.60 Investment in General Fixed Assets - from G.O. Bonds 173.XX Buildings and Structures	200,000	 200,000	N/A		

* If you do not use these control accounts then the entry would be posted to expenditure or revenue account.
*** See note on page 13.

Funds/Account Groups***	Governmental Funds Capital Asset Acquisition/Disposition			Proprietary Funds Capital Asset Acquisition/Disposition		
		DR	CR		DR	CR
Example No. 10: Record the transfer of a truck from the general capital asset account group to an Equipment Rental Fund. The truck cost $10,000 and is two years old with an estimated life of five years. The truck was purchased on a three-year lease-purchase with $4,800 in principal payments remaining.						
Receiving Fund General Ledger	N/A			186.XX Equipment 186.9X Accumulated Depreciation 235.50 Current Leases and Installment Purchases Payable	8,800	 4,000 4,800
Disposing Fund General Long-Term Debt Account Group***	263.50 Leases and Installment Purchases 197.40 Amount to be Provided	4,800	 4,800	N/A		
General Fixed Asset Account Group***	278.40 Investment in General Fixed Assets - from General Fund 186.XX Equipment	10,000	 10,000	N/A		

*** See note on page 13.

A physical inventory of the capital assets is necessary to verify that the assets still exist; it also provides updates on the condition of the assets. This information demonstrates that the local government is exercising its custodial responsibility for the asset and is beneficial when establishing an insurance claim because it substantiates both the existence and the condition of the asset near the time of loss or damage.

The simplicity or complexity of inventory taking will depend on the government's size, the sophistication of the capital asset accounting system and the level of automation. Whatever approach the government takes, the following procedures are required:

1. Policies and Procedures. Policies and procedures governing the taking of regular physical inventories must be documented. These inventories must be taken **not less often than once a year**. The policy should state who should conduct the physical inventories, at what time of year, and what training is required for the inventory takers.

2. Develop a Work Plan. The local government must centralize control over the inventory taking process and reconcile inventory records to book values. An inventory supervisor should be assigned the responsibility for developing the work plan and training and coordinating the inventory takers.

    a. The work plan should include instructions for using prelistings of existing assets. In an on-going system, this listing should be up-to-date and reasonably complete and should include both capitalized assets and small attractive assets that are not capitalized. (Variances between the prelisting and the actual inventory should be reconciled. See item 4 below.) Unless the government is very small, these prelistings should be sorted by location rather than asset type, because it is more efficient and accurate to count all assets in one location before proceeding to the next location. For larger governments, inventory takers should have building floor plans and maps to aid in identifying sites to inventory. By crossing off rooms or areas as they are completed, inventory takers can better assure that all assets were inventoried and that there have not been any duplications.

    b. The inventory takers should be trained in inventorying procedures, including what to do about items located but not on the prelisting and items on the prelisting that cannot be located. (Reconciling these add-ons/deletions must be done by the inventory supervisor or accounting department after the inventory is taken. See item 4 below.) The procedures should also explain how to evaluate and record observations about the physical conditions of assets.

    c. Governments that are using individual capital asset records as their subsidiary ledger may sort these records by location and use them as the prelisting. Inventory takers also need the listing by location of small attractive assets that are not capitalized.

3. Choice of Inventory Takers

    Ideally, the person(s) assigned custody for assets should not be the inventory taker, although the custodian should review the completed inventory. If using the custodian is the only practical means of taking inventory, then either the inventory supervisor or someone from the accounting department should spot check the inventory to test its validity. It will help assure that the inventory is carefully taken if the employees are aware that their work will be checked.

4. Reconciliations

Once the physical inventories are complete, they must be reconciled to the individual capital asset records or the listings of small attractive assets. Since the prelistings are generated from these records, the reconciliation is limited to: (1) identifying those assets that were purchased or transferred-in but not added to or changed on the individual capital asset records or listings of small attractive assets, and (2) investigating the disposal or transfer-out of assets not located.

There are several other reconciliations that need to be made. See Chapter 7, Section D for a complete list.

Governmental Funds

Capital assets including infrastructure should be depreciated. There are some exceptions for depreciating art and historical treasures, if they are inexhaustible. See Part 4, Chapter 2, Section D, *Capital Assets* for more details on art and historical treasures.

The following should be considered when recording depreciation:

1. Except for land, all capital assets must be depreciated. For quarries, timberlands, and mineral rights, depletion expenses must be recorded.

2. Scrap value can be ignored in establishing the amount to depreciate.

3. Depreciation must be based on a reasonable estimate of expected useful life; that is, the number of years, miles, service hours, etc., that the government expects to use that asset in operations. An asset that is surplus or that is held for possible future use is an investment and should not be depreciated. See Part 4, Chapter 2, Section E for recommended useful lives for infrastructure.

4. Whether group-life or individual asset depreciation is used, the amount of depreciation charged must be constant for each time period (called straight-line depreciation) or for each unit of service (such as quantity of output, hours or miles of operation, etc.)

    a. Depreciation must be based on the entire cost of the asset, including any amounts contributed or donated. Depreciation rates may be set for groups of related assets (see the paragraph on group-life depreciation) or for individual assets.

    b. When depreciation charges are based on time periods, charges should be made for each month that an asset is in service. Exceptions such as the half-year convention or excluding depreciation in the first year of service are acceptable, unless capital asset additions to a fund in one year exceed 50 percent of net capital assets before the addition. When such large additions are made in one year, depreciation must be charged for no less than each whole month the additions are in service, because it is likely that material distortions in operating income would result from applying more approximate methods.

5. When assets are depreciated individually, each asset may contain components, which will have an estimated useful life considerably shorter than the asset taken as a whole. (The most common example is a building, where the roof and flooring will need replacement long before the entire structure.) While not required, the use of component depreciation for such assets is much more accurate and simpler to maintain.

6. As a government uses its capital assets, it needs to revise the expected useful lives of some of them. Any such changes should be applied prospectively; that is, the rate should be recalculated based on the remaining useful life at the time of the revision, and the new rate should be applied in the present and future accounting periods. No changes should be made to financial records of previous years for revised estimates.

Group-Life Depreciation

There are two entirely different applications of group-life depreciation. The first type is applied to a set of very similar assets acquired at about the same time, such as a fleet of police cars or a suite of office furniture. For this type of group-life depreciation, the group of assets should be treated as a single asset; any gain or loss on disposal is deferred until the entire group has been retired. When some items within the group are retired ahead of schedule, the original cost of the items is removed from both the asset and the accumulated depreciation account. Depreciation continues to be

charged only for the remaining assets at the original rate. This defers any gain or loss until the entire group has been retired. When some items in the group require major repair, the book value of the group should be adjusted and the periodic depreciation recalculated for the remaining life of the group.

The second type of group-life depreciation is used primarily in utilities, and it is applied to dissimilar assets, which are related by the mode of operation in which they are used. The rate of depreciation is a weighted average of the rates applicable to the individual assets, which comprise the group. The use of this method is intended to eliminate gains and losses on asset retirements, except when an entire operating system or facility is retired from service.

Depreciation on Donated Assets

Depreciation of assets acquired from contributions is calculated in the same manner as for other assets and is reported in the same way on the operating statement.

In electric and gas utilities, the FERC system requires that donated assets be recorded at zero cost and no depreciation expense taken. This requirement is a departure from the GAAP.

The use of internal service funds, unless legally required, is not required by the generally accepted accounting principles (GAAP). However, GAAP permits internal service funds to be used for activities that provide goods and services to other funds or departments or other governments on the cost reimbursement basis. The use of an internal service fund is only appropriate if the sponsoring government is the predominant user of the services. Otherwise, an enterprise fund should be used.

For counties and cities (with population over 8,000), equipment rental funds are legally mandated for operating county road and city street departments by Chapter 36.33A RCW and RCW 35.21.088, respectively.

The internal service fund is increasingly being used by governments as an effective way to identify the costs of providing specific services. The internal service funds are proprietary funds, which are accounted for on a flow of economic resources measurement focus, which requires full accrual accounting. The basic financial statements required are a statement of net assets (or balance sheet), statement of revenue, expenses, and changes in fund net assets, and statement of cash flows.

Prior to establishing a new fund, a review of existing state laws and regulations should be conducted to ensure the legality of using this fund classification. Careful consideration must also be given to defining the specific activity to include in the fund, the specific cost objectives associated with providing the service, development of pricing rates and budgetary concerns.

Establishment

The internal service fund is usually accomplished by a contributions and/or transfers of cash or capital assets from the general (current expense) fund and other funds.

When nonmonetary assets are contributed or transferred they should be recorded at fair market value. Fair market value should approximate net book value and therefore no gain or loss should be recognized. If fair market value does not agree with book value the transferring fund should adjust *Accumulated Depreciation* so that the asset can be transferred at book value.

If management's intentions are to repay the cash or nonmonetary assets transferred to the internal service fund, the transfer should be recorded as an *Advance To/From Other Funds* in the appropriate funds.

Depreciation

Internal service funds are proprietary funds so depreciation of capital assets must be recorded.

Rates

Rates charged for use of internal service equipment facilities should normally include three components:

a. Current cost of maintenance and operation, without exception,

b. A reasonable charge for depreciation,

c. A surcharge for equipment replacement.

Rates can be developed for individual assets or similar groups of assets. Composite rates - single rates developed to apply to dissimilar asset groups - should be avoided. Rates developed in this manner tend to overcharge or undercharge depending on the type of asset used. Rates may be billed as a single rate or each rate component can be billed separately. Rates should be reviewed at regular intervals to determine if they are set at levels, which will allow the fund to meet its capital maintenance objectives.

It is not necessary to record the individual components of the rate on the asset(s) profit and loss record, however, it is necessary to be able to identify and extract that portion of the rate, which applies to any replacement surcharge. This portion of the rate is an unallowable charge against most federal programs in accordance with the federal cost principles established in Circular A-87. It should also be noted that many state grants are actually federal indirect or pass-through money. In these cases Circular A-87 is also applicable.

When dedicated revenue assets are traded-in, the net operating gain or loss needs to be noted on the asset record of the new asset and included in the new operating rate structure. Net operating gain (or loss) is the excess of billings over costs (or the reverse). Pooled asset records do not need to show this separate source.

Management Information

In order for management to determine if its capital maintenance objectives are being met, records must be maintained which will identify all revenues and costs associated with an asset or asset group.

Revenue assets are those facilities or items of equipment, which are directly rented to users or operated directly for a user. Examples include motor pool vehicles, computer mainframes and terminals, and telephone systems. *Dedicated revenue assets* are those which have a single fund or department as their primary user, such as police cars or election equipment.

A separate record of costs and revenues should be maintained for each internal service fund revenue asset, but group asset records can be acceptable. This requirement does not apply to service equipment, such as repair shops or fuel pumps. The record for each revenue asset should include the following items:

1. Type of asset and a cross-reference to the individual capital asset record; identification of primary user if it is dedicated, or whether it is a pool asset.

2. A periodic summary (at least annually) of all operating expenses, including any special operator costs.

3. Periodic depreciation expense and indirect expenses.

4. Periodic rental income, service charges, or user fees.

5. Periodic calculation of net income or loss.

6. Annual summary of 2-5 above.

7. Cumulative net income or loss.

A suggested revenue asset income history record is shown on the next page. This record should supplement the individual capital asset record described in Chapter 7, Section C.

Replacement and Disposal of Revenue Assets

Accounting for a replacement or disposal depends on the transaction that takes place.

If a revenue asset is traded-in for a similar asset, the gain on the old asset should be deferred by reducing the cost of the new asset. However, if the trade-in results in a loss on the old asset, the loss should be recognized in the current period.

For disposal of revenue assets (other than a trade-in) outside of the government, gains and losses should be recognized in the current period.

If an asset is transferred to/from another fund, the transaction should be recorded at book value with no gain or loss recognized.

The individual asset records should reflect the same information as the accounting records.

REVENUE ASSET INCOME HISTORY

Asset Name _____ Page No. _____

ID No. _____

Year/ Month	Fuel		Oil		Repairs							Special Operator	Total Cost	Rental Income	Income Loss
	Qty	$	Qty	$	Parts	Labor	Misc.	Tires	Ins.	Ovhd.	Dep.				

Year/ Month	Units of Operations	Cost Per Unit	Year-to-Date Income/Loss	PRIOR YEARS				
				Units of Operation	Cost Per Unit	Total Cost	Rental Income	Net Income (Loss)

1. Capital Improvement Assessments

The project expenditures should be recorded in a capital projects fund. Revenues should be recognized according to the financing involved (e.g., Other Financing Sources - Proceeds of General Long-Term Debt, if bonds are used for financing).

Capital improvement assessments projects that are an integral part of the government's enterprise activities should be recognized in the enterprise fund.

2. Service Assessments

The revenues and expenditures should be recorded in either the general (current expense) fund, a special revenue fund, or an enterprise fund. These types of assessments are for operating activities and do not result in the purchase or construction of capital assets (e.g., street cleaning or snow plowing). Both the revenues and expenditures should be recognized on the same basis of accounting as normally used for that fund.

3. Debt Service

The long-term debt service transactions associated with a special assessment project should be recorded in a debt service fund. Recognition of bond principal and interest expense should be similar to other long-term debt. However, any portion that is an obligation of an enterprise fund or expected to be repaid from an enterprise fund revenues should be reported in the enterprise fund. Short-term debt service expenditures should be recognized in the fund recording the associated debt.

4. Assessments Receivable

A special assessment receivable should be established at the time of the levy, and an equal amount of deferred revenue should be reported in the general, special revenue, or debt service funds.

5. General Long-Term Debt

Special assessment debt for which the government is obligated in some manner, as defined in the GASB Statement 6, should be reported with other general long-term liabilities, except for the portion, if any, that is a direct obligation of an enterprise fund or is expected to be repaid from the enterprise fund revenues.

NOTE: The phrase "obligated in some manner" is defined very broadly by the GASB Statement 6. It would be very rare, if ever, that special assessment debt should not meet this criteria.

6. General Capital Assets

The capital assets constructed by a capital improvement special assessment should be reported together with other general capital assets. The exception is when the asset is related to an enterprise fund.

7. Budgeting

Capital improvements funded by special assessments should be budgeted on a project basis. Although improvement district statutes vary, they normally require formal adoption of an assessment roll. The LID formation ordinance is a perfectly adequate budget for the life of the LID. The amount of the assessment roll is determined by the estimated costs of construction and debt service, which are accordingly approved by the same action. If construction costs exceed estimates, legislative approval is normally required. That approval should be recorded as a budget modification.

8. References

	Authority to Establish and Assess for	RCW Reference
Cities and Towns	LID & ULID	35.43 thru .56
Counties/County Roads	CRID	36.88
Fire Districts	LID & ULID	52.20, 35.43 thru .56
Port Districts	LID & ULID	53.08, 35.43 thru .56
Library Districts	LID	27.14, 35.43 thru .56
Irrigation Districts	LID & ULID	87.03.480 thru .527
Irrigation Districts	O&M	87.03.240 thru .420
Park and Recreation Districts	LID	36.69.200 thru .305
Sewer Districts	ULID	56.20, 35.43 thru .56
Water Districts	ULID	57.16, 35.43 thru .56
Counties/Sewerage, Water and Drainage System	LID & ULID	36.94.220 thru .400
Flood Control Zone Districts	LID & ULID	86.15.160, .165
Flood Control Districts	O&M	86.09.380 thru .517
Diking Districts	O&M	85.05.270, .355, 85.18.150
Drainage Districts	O&M	85.06.125, 85.38.140 thru .170
Diking, Drainage and Sewage Improve. Dist.	O&M	85.08.410, .420, .480, 85.16
Public Utility Districts	ULID	54.16.120 thru .170

CRID - County Road Improvement District
LID - Local Improvement District
ULID - Utility Local Improvement District
O&M - Operations & Maintenance, Debt Service, etc.

A number of Washington municipalities are entering into tax-exempt municipal leases as a method of financing purchases of equipment. We want to emphasize some accounting procedures applicable to municipal leases:

1. The asset acquired with the lease should be capitalized at the outset of the lease agreement. The FASB Technical Bulletin 79-10 regarding "fiscal funding clauses" in a lease agreement normally would not affect the classification of the lease.

2. Future lease principal payments should be recorded either as other financing uses or as proprietary fund liabilities.

3. Expenditures to make principal payments on leases should be coded to a debt service object.

4. In the year of acquisition, the entire principal should be budgeted as a capital outlay with a credit to other financing sources. Interest and principal payments should be included in the comprehensive budget of the municipality; however, like other debt service obligations, formal appropriation authority is not required.

Any contract, whether it is called a conditional sales contract, a lease with an option to purchase, or a simple lease, should be let only after competitive bidding if the contract exceeds minimum bidding dollar requirements and has some provision for the vesting of title in the municipality at the end of the term of the contract. Such contracts should be bid regardless of whether title vests automatically or upon the payment of additional consideration.

Unredeemed Coupons and Bonds (RCW 43.80.160)

One year after the last legal payment date on matured bonds, the treasurer may send a written request to the fiscal agent to return the moneys not used to redeem such matured bonds. A bond call accelerates the maturity and the treasurer has the right to request that moneys be returned after one year. This recovery provision does not apply to matured coupons which remain unredeemed for over one year, unless the bonds to which they are related have also matured. Unredeemed bonds and coupons that remain unclaimed by the owner for more than two years after becoming payable are considered abandoned (RCW 63.29.130). The treasurer is required to file a report under RCW 63.29.170 and pay or deliver all eligible abandoned property, including the unredeemed bonds and coupons referenced above, to the Department of Revenue.

The following regulations and procedures are prescribed with respect to the return of the above-mentioned moneys.

1. Amounts returned from fiscal agencies at the request of local treasurers should be accounted for in the debt service fund. Concurrent entries should be recorded in the fiscal agency account to reflect the return of the moneys to the debt service fund. If the bonds or coupons are subsequently presented for payment, they should be paid from the moneys so held.

2. The amounts returned from fiscal agencies should not be used to meet current debt service requirements. However, interest earnings on any investments of amounts returned from fiscal agencies will be available to reduce currently required additions to the debt service funds according to the following procedures:

    a. In the case of general obligation bonds, such interest earnings should be retained in the debt service funds, and currently required additions to such funds should be reduced accordingly.

    b. In the case of revenue bonds, such interest earnings may be retained, thereby reducing currently required additions to such funds from operating revenues, or such interest earnings may be placed into the current or operating fund.

The state or local treasurer should remain obligated for the final redemption of the unredeemed bonds and coupons pursuant to RCW 43.80.160.

Any government in the state of Washington may extinguish debt prior to the debt maturity date. The refunding is authorized by Chapter 39.53 RCW also known as the Refunding Bond Act.

An advance refunding occurs when previously issued debt is retired as it matures or at a call date at least in part by a new debt issue. Usually refunding is done to take advantage of lower interest rates or to modify debt service requirements. Often the proceeds from the sale of new debt with a lower interest rate are used to pay off old debt with a higher interest rate. Refunding is financially worthwhile when the present value of the savings from lower interest rates on the refunding debt plus any income from the investment of the refunding debt proceeds pending redemption of debt to be refunded are greater than the present value of the fees, sales discounts, redemption premiums and other costs of refunding.

There are two ways to structure the advance refunding of debt: the regular method and the crossover method.

The following definitions apply to the terms used in this section:

> Refunding debt (sometimes referred to as "new" debt) - debt issued to provide funds to replace the refunded debt at specified dates.
>
> Refunded debt (sometimes referred to as "old" debt) - debt for which payment at specified dates has been provided by the issuance of refunding debt.

Regular Method of Advance Refunding

Under the regular method of advance refunding there can be either a legal or an in-substance defeasance.

A **legal defeasance** occurs when debt is legally satisfied based on certain provisions in the debt instrument, even though the debt is not actually paid. A legal defeasance is rare in the government environment and generally occurs only when an amount sufficient to pay both principal and interest at the time of deposit is placed in an irrevocable trust with an independent escrow agent. A government is released from its legal status as the primary obligor on outstanding indebtedness after an escrow account is established (the government is only contingently liable).

In an **in-substance defeasance** debt is considered to be extinguished for financial reporting purposes even though a government has not met the legal requirements for a defeasance and so legally remains the primary obligor on the indebtedness. The proceeds from the sale of refunding (new) debt together with any other funds the entity may set aside for payment of refunded debt must be irrevocably placed with an escrow agent in a trust. The escrow agent invests the proceeds so that the cash realized from the maturing investments together with interest earned will meet the debt service requirements of the refunded (old) debt and redeem the balance of the old debt when it becomes callable or matures. Cash or other assets used for refunding must qualify as "essentially risk-free as to amount, timing and collection of principal and interest" and they must provide cash flows that are sufficient and timed to match the scheduled interest and principal payments on the debt that is being extinguished. Also, the chance of the government being required to make any additional future payments must be remote.

Generally, the requirement for "essentially risk-free" securities may be accomplished through the purchase of U.S. government securities, securities guaranteed by the U.S. government, or U.S. government backed securities.

The government does not budget or report any refunded (old) debt. However, the government is responsible for verifying the amounts reported by the trustee. The amount of the old debt should be disclosed in a note to financial statements.

Since governmental funds operating statements reflect only the financial resource flows related to the refunding transaction, they do not report a gain or loss on an advance refunding resulting in defeasance.

The provisions of the Refunding Bond Act (Chapter 39.53 RCW) satisfy the criteria for in-substance defeasance, except for the requirement to place cash and assets in an irrevocable escrow. If the irrevocable trust fund is not established, both the refunded (old) and the refunding (new) debt must be recorded and reported in the government's financial statements.

Journal Entries
Governmental Funds

The refunded (old) debt is removed from the government's General Long-Term Debt Account Group (GLTDAG).

The unmatured refunding (new) debt is recorded in the GLTDAG and the debt service on the new debt is recorded, budgeted and reported in the debt service fund.

General/Subsidiary Ledger

110.00	Cash	
	393.00	Other Financing Sources - Proceeds of Refunding Long-Term Debt

To record proceeds from sale of refunding (new) debt.

599.00	Other Financing Uses - Payment to Refunded Debt Escrow Agent	
593.00	Advance Refunding Escrow *	
	110.00	Cash

To record transfer to the escrow agent.

* Payment made from a source other than refunding (new) debt.

592.89.84	Debt Service Expenditure	
	110.00	Cash (or 213.10 Accounts Payable)

To record payment of refunding (new) debt issuance cost from the debt service fund current resources (not from proceeds generated from new debt).

GLTDAG

25X	Bonds Payable (old)	
	197.40	Amount to be Provided for Debt Retirement
	197.10	Amount Available in Debt Service Fund

To remove refunded (old) debt from the GLTDAG.

197.40	Amount to be Provided for Debt Retirement	
197.10	Amount Available in Debt Service Fund *	
	25X	Bonds Payable (new)

To record refunding (new) debt.

* Include amount already in debt service fund before refunding and not remitted to the trustee, also any proceeds of refunding not expended for bond issue cost.

Journal Entries
Proprietary Funds

25X.30	Unamortized Discount on Refunding (new) Debt *	
25X	Bonds Payable (old)	
214.00	Accrued Interest Payable (old)	
193.30	Deferred Charge - Issuance Cost (new)	
25X.50	Deferred Amount on Refunding ***	
25X.20	Unamortized Premium on Refunded (old) Debt	
	25X.20	Unamortized Premium on Refunding (new) Debt *
	25X	Bonds Payable (new)
	151.00	Restricted Assets **
	195.30	Deferred Charge - Issuance Cost (old)
	25X.30	Unamortized Discount on Refunded (old) debt

To record issuance of refunding (new) bonds and extinguishment of refunded (old) debt.

592.89.83	Interest Expense	
	25X.50	Deferred Amount on Refunding

To record amortization of deferred amount on refunding.

* Use either account depending if the refunding (new) debt was issued at premium or discount.
** Use this entry if there are funds available in various restricted assets accounts for payment of refunded (old) debt.
*** "Deferred Amount on Refunding" is the difference between:
1. reacquisition price (amount placed in escrow account - excluding issuance cost and premium/discount on refunding (new) debt), and
2. net carrying value of refunded (old) debt (adjusted for issuance cost and unamortized premium/discount on refunded (old) debt).

The difference should be amortized over the **shorter** of 1) the life of the refunding (new) debt or 2) the remaining life of the refunded (old) debt.

Crossover Method of Advance Refunding

In this type of refunding the proceeds from issuance of refunding (new) debt are placed in the escrow account. The escrow account does not immediately make payments on the refunded (old) debt principal and interest. Instead, it pays all or a portion of the refunding (new) debt's principal and interest until a crossover date when the refunded (old) debt can be called or it matures and the amount accumulated in escrow is sufficient to repay it. Until the crossover date, both the refunded (old) and refunding (new) debt would be reported in the financial statements.

Until the crossover date, the debt service on the refunded (old) debt is recorded and budgeted in the Debt Service Fund. Assets held in the trust by the escrow agent to pay debt service on the refunding (new) debt are also recorded in the Debt Service Fund. Both the refunded (old) and refunding (new) debt are reported in the General Long-Term Debt Account Group, pending the crossover date.

The government does not budget or report any debt service in the escrow account. However, the government is responsible for verifying the amounts reported by the escrow agent.

The new debt is not to be included in the computation of indebtedness for the purpose of any constitutional or statutory debt limit.

Journal Entries
Governmental Funds

General/Subsidiary Ledger

115.00 Deposits with Fiscal Agents/Trustees

393.00 Other Financing Source - Proceeds of Refunding Long-Term Debt
110.00 Cash *

To record establishment of the escrow account.

* Transfer of resources other than proceeds of refunding debt (e.g., excess of cash available for the refunding transaction).

197.40 Amount to be Provided for Debt Retirement
197.10 Amount Available in Debt Service Fund

25X Bonds Payable (new)

To record the refunding (new) debt.

25X Bonds Payable (old)

197.40 Amount to be Provided for Debt Retirement
197.10 Amount Available in Debt Service Fund

To remove refunded (old) debt at the time of crossover.

Journal Entries
Proprietary Funds

115.00 Cash with Fiscal Agent
25X.30 Unamortized Discount on Refunding (new) Debt *
193.30 Deferred Charge - Issuance Cost (new)

25X.00 Bonds Payable (new)
25X.20 Unamortized Premium on Refunding (new) Debt *
110.00 Cash **

To record issuance of refunding (new) debt.

25X.00 Bond Payable (old)
214.00 Accrued Interest Payable (old)
25X.20 Unamortized Premium on Refunded (old) Debt
25X.50 Deferred Amount on Refunding ***

193.30 Deferred Charge - Issuance Cost (old)
25X.30 Unamortized Discount on Refunded (old) Debt
115.00 Cash with Fiscal Agent

To remove the refunded (old) debt at the crossover date.

* Use either account depending if the refunding (new) debt was issued at premium or discount.

** Transfer of resources other than proceeds of the refunding debt (e.g., excess of cash available for the refunding transaction).

*** See journal entry for the defeasance method for description of this account.

Before a duplicate instrument is issued, the issuing officer should require the person making application for its issue to file in his/her office a written affidavit specifically alleging on oath that he/she is the proper owner, payee, or legal representative of such owner or payee of the original instrument, giving the date of issue, the number, amount, and for what services or claim or purpose the original instrument or series of instruments of which it is a part was issued, and that the same has been lost or destroyed, and has not been paid or received by him/her.

The following is a sample for use by all political subdivisions.

AFFIDAVIT

STATE OF WASHINGTON,)
ss,
County of _____)

I, _____, being first duly sworn upon oath, depose and say that I am the proper owner, payee, or legal representative of such owner or payee of _____, original _____ No. _____, dated
(City/County/District) (Describe Instrument)
_____, in the amount of _____ Dollars ($_____)

which said instrument was issued in payment for _____

and that the same has been lost or destroyed and has not been paid.

Signature _____

Witnessed by me this _____ day of _____.

_____
Witness [1]

Residing at _____

[1] City/county/district may require the affidavit to be signed by a notary public.

Overview

Any local government may engage in the arbitrage by borrowing funds at one interest rate and investing those same funds at a higher rate. The primary reason for the arbitrage is that the rates of interest paid on tax exempt debt normally are lower than those paid on taxable securities and it is possible for local governments to profit from this disparity in interest by temporarily reinvesting the proceeds of lower interest tax exempt borrowings in higher yielding taxable securities. The proceeds from those transactions are called *arbitrage earnings*.

When governments reinvest tax-exempt proceeds at a higher, taxable yield, the *excess* earnings must be remitted to the federal government as arbitrage rebate. There are some important exceptions to this general rule. These special situations are known as *safe harbors* (e.g., small issuer safe harbor, six-month expenditure safe harbor, eighteen-month expenditure safe harbor, twenty-four month expenditure safe harbor).

If a government fails to qualify for one of the safe harbors, it must calculate and rebate arbitrage earnings to the federal government. The tax code requires that arbitrage be calculated every five years and upon maturity.

Financial accounting and reporting for arbitrage.

As noted earlier, the federal government only requires that arbitrage be calculated and reported every five years and at maturity. Rebatable arbitrage should not be treated as a reduction investment revenues in governmental funds; it should instead be treated in the same way as any other claim or judgment. That is, there should be no recognition in the governmental fund's balance sheet or operating statement until rebatable amounts are actually due and payable to the federal government. Of course, a liability and expense must be recognized in the full accrual-based government-wide financial statements as soon as arbitrage is incurred.[1]

In calculating the amount of the liability, it should be remembered that *excess* earnings of one year may be offset totally or in part by lesser earnings in a subsequent year. Therefore, the liability recognized for a year should be only that portion of the estimated future payment that is attributable to earnings of the current period.

In practice, two different acceptable approaches are taken to accounting and reporting rebatable arbitrage in the financial statements.

Revenue reduction approach

This approach treats the rebatable arbitrage as a reduction of revenue rather than as a separate expenditure or expense.

Assume, for example, that $5,000 in interest has been earned on reinvested proceeds reported in a capital projects fund, and that $1,000 of that amount needs to be remitted to the federal government.

[1] The rebatable arbitrage is subject to the accounting and reporting rules governing claims and judgments. See the FASB Statement 5, *Accounting for Contingencies*.

The journal entries would be as follow:

Year 1

Construction Fund

111.10	Cash	$5,000	
	361.12 Arbitrage Interest		$5,000

(To record the receipt of interest from arbitrage transaction)

288.00	Unreserved Fund Balance	$1,000	
	282.80 Reserved Fund Balance		$1,000

(To reserve fund balance)

This entry would be reversed at the beginning of the subsequent year.

Year 5

Construction Fund

282.80	Reserved Fund Balance	$1,000	
	288.00 Unreserved Fund Balance		$1,000

(To reclassify fund balance)

231.20	Short-Term Arbitrage Rebate	$1,000	
	111.10 Cash		$1,000

(To record the payment of the arbitrage rebate)

Tax approach

In the second approach the rebatable arbitrage is treated essentially as a tax. This approach argues that the earning of revenue and the incurrence of a tax liability are really two separate transactions. Accordingly, the rebatable arbitrage is treated separately from investment income.

The appropriate journal entries for the same transaction described earlier would be as follow:

Year 1

Construction Fund

111.10	Cash	$5,000	
	361.12 Arbitrage Interest		$5,000

(To record the receipt of interest from arbitrage transaction)

GLTDAG

197.40	Amount to be Provided	$1,000	
	263.70 Arbitrage Rebate Tax Payable		$1,000

(To report liability for arbitrage rebate)

This liability would be removed from the GLTDAG and an expenditure would be reported in the appropriate governmental fund only at the time the liability became due and payable to the federal government.

Year 5

Construction Fund

592.__.53		Expenditures - Arbitrage Rebate Tax	$1,000	
	263.70	Arbitrage Rebate Tax Payable		$1,000

(To report liability for rebatable arbitrage arising from the investment of debt proceeds)

263.70		Arbitrage Rebate Tax Payable	$1,000	
	111.10	Cash		$1,000

(To record the payment of arbitrage rebate)

GLTDAG

263.70		Arbitrage Rebate Tax Payable	$1,000	
	197.40	Amount to be Provided		$1,000

(To liquidate arbitrage rebate liabilities)

Special arbitrage implications for proprietary fund.

Proprietary funds often are required to capitalize interest in conformity with the Financial Accounting Standards Board's (FASB) Statement 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.* Under the FASB Statement 62, the amount of interest to be capitalized is determined by netting interest revenue against interest expense. If interest revenue temporarily exceeds interest expense (i.e., arbitrage), the result can be "negative" interest capitalization (i.e., a reduction in the cost of the capitalized asset).

The method of accounting and financial reporting selected for arbitrage (i.e., revenue reduction approach or tax approach) can have an effect on the amount of interest capitalized in proprietary funds that follow the provisions of the FASB Statement 62. Specifically,

- ☞ if interest revenue reduces the amount of interest to be capitalized under the FASB Statement 62,
- ☞ and the revenue reduction approach reduces the amount of interest revenue, then
- ☞ the revenue reduction method would increase the capitalized value of the asset (i.e., by reducing what otherwise would have been a reduction in cost).

Viewed another way, the practical effect of selecting the revenue reduction approach in a proprietary fund using the FASB Statement 62 is to *capitalize* arbitrage. In other words, under the tax approach, rebatable arbitrage is reported as an expense when it is incurred, whereas under the revenue reduction approach it is effectively included in the cost of the asset and only gradually reported in the operating statement as depreciation expense over the asset's useful life.

Chapter 12. Interpretations And Miscellaneous

This chapter of the manual contains detailed explanations of selected topics, pronouncements, or laws affecting local governments.

The most significant source of input to this chapter should be the manual users themselves. If you have any suggestions for new topics, please copy a request form from the back of this page and mail it to the address listed on the bottom of the form.

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REQUEST FOR INTERPRETATION

Request Made By

Name _____

Entity _____

Phone _____

E-mail _____

Topic Or Issue

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Recommendation

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When completed, send to:

State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031
FAX (360) 586-6571

1. **COUNTY FAIR OPERATIONS**

a. Management Of Fair Operations

RCW 36.37.040 states in part:

> "The board of county commissioners may employ persons to assist in the management of fairs or by resolution designate a nonprofit corporation as the exclusive agency to operate and manage such fairs."

Referring to the above statute, the Attorney General has emphasized that the legislature has not authorized the county to operate a fair jointly with any private person or group, but only to employ persons to assist in the management of fairs or to designate a private corporation as the exclusive agency to operate and manage such fairs.

b. Deposit Of Funds Received By A County Fair Operation

The Attorney General has stated that all funds received by a county fair operation, such as allocated parimutuel funds, donations, and proceeds from the operation of the fair, must be properly deposited in the county treasury under the provisions of RCW 36.29.010 and .020.

c. Establishment Of Fund To Operate Fair

At the option of the board of county commissioners, the county fair may be operated as a department within the general (current expense) fund or it may be operated as a separate County Fair Fund. If a fair fund is established and borrows from the general (current expense) fund, interfund loan procedures must be followed, except that no interest on the interfund loan needs to be charged.

Within the fund chosen for the operation of the fair, the board of county commissioners may authorize the county auditor to provide a revolving fund to be used by the fair officials for the conduct of the fair. The purpose of the revolving fund is to allow for immediate payment of premiums, casual labor and the many other items needed during the period the fair is being conducted without going through the formality of a warrant issue.

Part 3, Chapter 3, Section D, *Petty Cash*, contains the minimum requirements for the establishment and operation of a revolving fund. All those requirements apply except that a paid receipt or properly executed invoice voucher will not be required for premiums or prizes disbursed. A list of premium or prize winners, supplemented by entry records and certified by the fair board, will suffice to evidence expenditures for this purpose.

2. COUNTY TREASURER'S OPERATION AND MAINTENANCE FUND

RCW 84.56.020(8) requires that fees and costs applicable to the foreclosure, distraint and sale of real and personal property for delinquent taxes must be deposited into the Treasurer's Operation and Maintenance Fund. These moneys should be used by the county treasurer to defray the cost of further foreclosure, distraint and sale for delinquent taxes without regard to budget limitations.

Allowable expenditures include postage, filing fees, employee time, legal notices, title searches, etc. The following standard procedure should be used for all expenditures made from the Operation and Maintenance Fund:

> When disbursements are made, the county treasurer should prepare a voucher in the regular manner, supported by detail documenting the expenditures. The treasurer should place his/her certification on the face of the voucher prior to presenting it to the county auditor, who should then draw a warrant against the Treasurer's Operation and Maintenance Fund, in the same manner as is done for any other county fund.

3. **DIVERSION OF COUNTY ROAD PROPERTY TAXES**

RCW 36.33.220 authorizes the legislative authority of a county to divert any portion of the county road property taxes to provide services in the unincorporated area of the county. RCW 36.82.040 requires that so diverted taxes be placed in a separate and identifiable account within the county's general (current expense) fund.

To assist compliance with the provisions of these statutes, the following procedures are prescribed:

a. The county road property taxes diverted to the general (current expense) fund should be presented in the budget of the general (current expense) fund as an estimated revenue. They should be clearly separated from the estimated revenues budgeted from regular property taxes.

b. The moneys received for diverted county road taxes should be receipted directly into the general (current expense) fund and credited to the revenue account 311.15, *Diverted County Road Property Taxes*. That portion of the county road property taxes designated for diversion should not be levied for the road fund and then transferred to the general (current expense) fund.

c. Those counties which divert any portion of the county road taxes should develop accounting procedures that document that the diverted county road property taxes were used to provide services in the unincorporated area of the county.

4. **ACCOUNTING FOR TWO PERCENT OF LIQUOR TAXES AND PROFITS FOR SUBSTANCE ABUSE TREATMENT PROGRAMS**

RCW 70.96A.087 provides that to be eligible for receiving a share of liquor taxes and profits, each city, town, or county must devote no less than two percent of its share of liquor taxes and profits to support programs for treatment of substance abuse and other drug addictions. Programs must be approved by the board authorized by RCW 70.96A.300 and the Secretary of the Department of Social and Health Services.

A city or county that does not have its own facilities or programs for the treatment and rehabilitation of substance abusers, may share the use of another city or county facility or program as long as it contributes no less than two percent of its share of liquor taxes and profits to support these facilities or programs (RCW 70.96A.085).

All liquor taxes and liquor board profits received from the state should be credited initially into the city's or county's general (current expense) or special revenue fund. This money should be coded 336.06.94 for liquor excise taxes and 336.06.95 for liquor control board profits.

Distribution of the money should be handled in a manner legally authorized by the statute. Expenditures related to substance abuse treatments should be coded to account 566 whether the expenditures are in support of the city's or county's own facilities/programs or contributions to others.

The two percent portion and any additional amounts expended for the substance abuse treatment should be budgeted in the general (current expense) or special revenue fund in accordance with the provisions of Chapters 35.32A, 35.33 and 36.40 RCW.

5. ACCOUNTING FOR DEPARTMENT OF SOCIAL AND HEALTH SERVICES (DSHS) WORKING CAPITAL ADVANCES

DSHS provides working capital advances to counties and cities in conjunction with the DSHS programs such as aging, mental health, developmental disabilities and alcohol and drug rehabilitation. These advances are intended for working capital or a "cash float."

Even though called working capital the advances are treated as fund debt and therefore, they are not a revenue or an increase to fund balance. As such, they cannot be budgeted. The expenditure portion of the budget must be balanced by any beginning unencumbered fund balance plus estimated revenues. The working capital advance is not part of fund balance and is not a revenue.

In double-entry systems, the receipt of a working capital advance should be recorded as follows:

		DR.	CR.
111.10	Cash	$XXX	
	229.00 Due to Other Governments		$XXX

To record the receipt of the DSHS working capital advance.

In single-entry systems or if a subsidiary account is used, the receipt should be recorded in account 382.80, *Fund Debt Proceeds - Due to Other Governments*.

When the working capital advance is paid back to the DSHS, the liability account 229.00, *Due to Other Governments* and the asset account 111.10, *Cash* should be reduced. In single-entry systems or if a subsidiary account is used, the disbursement should be recorded in account 582.80, *Redemption of Fund Debt - Due to Other Governments*.

6. ACCOUNTING FOR PROSECUTING ATTORNEYS' SALARIES

RCW 36.17.020 provides that: "One-half of the salary of each prosecuting attorney shall be paid by the state." This money should be coded to account 334.00.11.

In order for the state treasurer to remit to each county one-half of the prosecuting attorney's salary, the following information must be supplied to the state treasurer:

> A resolution signed by the county commissioners or legislative authority establishing the prosecuting attorney's salary, or a copy of the resolution signed by the county commissioners or legislative authority adopting the county's budget and a copy of the particular page of the budget showing the prosecuting attorney's salary. This page must be certified by the county auditor as a true copy of that portion of the budget.

The above information must be supplied to the state treasurer every time the salary of the prosecuting attorney is changed.

7. **CONFIDENTIAL FUNDS (DRUG BUY MONEY, INVESTIGATIVE FUNDS)**

Confidential funds are those funds allocated to the following three types of law enforcement undercover operations:

a. Confidential investigative expenses are for the purchase of services and would include travel or transportation of an undercover officer or an informant. The lease of an apartment, business front, luxury- type automobiles, a boat, aircraft or similar effects to establish the appearance of affluence, credibility and a general atmosphere conducive to the undercover role would also be in this category. Meals, beverages, entertainment and similar expenses for undercover purposes, within reasonable limits, would also be included.

b. Confidential funds for the purchase of evidence would include the purchase of evidence and/or contraband such as drugs, firearms, stolen property, etc., required to determine the existence of a crime or to establish the identity of a participant in a crime.

c. Confidential funds for the purchase of specific information from informants.

Confidential expenditures are subject to appropriation by the municipality's governing body. The governing body must assure that the controls over disbursements are adequate to safeguard against misuse of such funds. When the funds are replenished, legislative approval should be based on a finding that the expenditures were necessary and reasonable for proper and efficient administration of the program under which they were used.

The funds authorized should be established in an imprest fund. Part 3, Chapter 3, Section E, prescribes the minimum requirements for the establishment and operation of an imprest fund. In addition to all those requirements the following apply:

a. The supervisor of the unit to which the imprest fund is assigned must authorize all advances of moneys to agents or officers for the purchase of information. Such authorization must specify the information to be received, the amount of expenditures, and assumed name of informer.

b. The investigation unit must maintain confidential files of the true names, assumed names, and signature of all informers to whom payments have been made. To the extent practicable pictures and/or fingerprints of the informer payee should also be maintained.

c. The custodian should receive from the agency or officer authorized to make a confidential payment, a receipt for cash advanced to him/her for such purposes.

d. The agent or officer should receive from the informer a receipt of the following nature:

RECEIPT FROM INFORMER PAYEE

Receipt

For and in consideration of the sale and delivery to the (state/county/city) of _____ of information or evidence identified as follows:

_____

_____

_____

I hereby acknowledge receipt of $ _____ paid to me by (state/county/city) of _____.

Date: _____ Signature: _____

_____
*Witness (if any)

* The witness requirement is not mandatory in all instances, depending on the nature of the meeting and exchange of funds. A requirement should be in effect that on 25 percent of the contacts, when payments are made, a second agent appear as the witness to the transaction. In addition, on ten percent of the meetings the agent or officer in charge should be present to verify the payment to the informer.

e. The signed receipt from the informer payee with a memorandum detailing the information received must be forwarded to the agent or officer in charge. The agency or officer in charge must compare the signature on the receipt with the confidential file of assumed name signatures. He/she must also evaluate the information received in relation to the expense incurred, and add his/her evaluation remarks to the report of the agent or officer who made the expenditure. A certification of payment to the custodian should serve as support for the expenditure from the imprest fund. The certification should be witnessed by the agent or officer in charge on the basis of the report and informer payee's receipt.

f. Each agent or officer in charge must prepare a quarterly report showing status and reconciliation of the imprest fund and itemizing each payment, name used by informer payee, information received and use to which information was put. This report must be made part of the files and reviewed quarterly by the head of the municipality's law enforcement agency.

8. **ELECTION COST ALLOCATIONS TO STATE, CITIES, TOWNS, AND OTHER TAXING DISTRICTS**

This interpretation establishes uniform procedures for allocating election costs incurred by counties. These procedures are mandatory for elections held after January 1, 1986.

The following statutes require that counties be reimbursed for the cost of conducting elections covering ballot issues for the state of Washington, cities and towns, and other districts.

RCW 29.13.045 Every city, town and taxing district shall be liable for its proportionate share of election costs. Special election costs shall be borne by the city, town or district concerned.

RCW 29.13.047 The state shall assume a prorated share of election costs when state officers or measures are voted upon in an odd-numbered year.

a. Segregate Voter Registration Costs from Elections

BARS account 511.80 is prescribed for voter registration costs.

b. Charge Only Allowable Election Costs

BARS account 511.70 is prescribed for election costs. Costs charged to this account must be specifically for election purposes and will include proper object codes. Time records and other documentation must be maintained to support expenses allocated to election costs. Allowable costs include the following:

(1) Salaries and Wages (BARS Object 10)

Include salaries and wages, including overtime, for time specifically devoted to elections. Include the time of Election Department employees, precinct officers, voting machine custodians and extra election help. A portion of the salary of the county auditor may also be included.

Adequate records are to be maintained to support payroll charges. This includes approved time sheets with descriptions of work performed.

(2) Employee Benefits (BARS Object 20)

Include those benefits associated with the salaries and wages identified above.

(3) Supplies (BARS Object 30)

Include articles and commodities purchased for consumption exclusively for elections (e.g., stationery, forms, cards, pencils, small items of equipment, items for the repair and maintenance of equipment, etc.). The cost of large supply purchases shall be apportioned between the elections benefited. Elections operated as an internal service fund would be expected to inventory such purchases and charge the costs as the inventory is used.

(4) Other Services and Charges (BARS Object 40)

Include:

(a) Communication - Charges for telephone and postage associated with elections.

(b) Transportation - Cartage for voting machines, devices and booths, messenger service, and travel expense including mileage allowance for delivery of returns.

(c) Advertising - Charges for legal notices and published instructions in connection with elections, closing of registration, etc.

(d) Printing and Binding - Charges for ballots, instructions, records, signs, etc.

(e) Repairs and Maintenance - Charges for repair and maintenance to election equipment.

(f) Rentals - Charges for polling spaces, storage spaces for voting equipment, etc.

(5) Machinery and Equipment (BARS Object 64)

Do not include charges for capital outlays. However, depreciation or use charges for such items as voting machines, devices, ballot tab equipment, booths, flag poles, flags, etc., are allowable. Charges must be based on rates that will result in a reasonable recovery of the original equipment over its useful life. Ledgers detailing historical cost, estimated salvage value, useful life, and accumulated charges shall be available.

No depreciation or use charge is allowable where the 15 percent overhead factor is used. See part f.

(6) Interfund Payment for Services (BARS Object 90)

Include expenditures made to other funds for services rendered. Allowable interfund charges include costs for computer time, software development, and equipment or facility rental. Charges must be consistent with those to other funds and departments.

No interfund charges are allowable where the 15 percent overhead factor is used. See part f.

In the absence of guidance on allowability of costs, the cost standards included in Cost Principles Applicable to Grants and Contracts with State and Local Governments published by the Office of Management and Budget as Circular A-87 will apply.

c. Use Subelement Digit to Account for Specific Activities

The BARS account structure allows for a further subdivision of election costs. Precinct, Election Department, and voting machine maintenance costs may be accounted for within BARS Account 511.70. For example, Account 511.70 may be subdivided using the "subelement" digit as follows:

Precinct Costs	511.71
Election Department	511.73
Voting Machine Maintenance	511.75
Direct Costs	511.77
Recount Costs	511.78

The needs for such information and the resulting account numbers will vary from county to county. This interpretation does not require a further subdivision of Account 511.70.

d. Special Ballot Issue Costs May Be Recovered Directly

The additional cost of printing ballots for special ballot issues and the cost of publishing legal notices for such issues may be charged directly to the appropriate district. This should be necessary only in general or primary elections. For example, costs of extra ballots and special legal notices for a school district bond levy in a November election may be charged directly to the district.

e. Election Operations May Be Recorded as an Internal Service Fund

Election operations may be set up as an internal service fund, as a special revenue fund or as a department of the General Fund. By its very nature, an internal service type operation would record all of the allowable election costs discussed in part b of this interpretation.

Record election costs billed to county funds in BARS Account 349.11. The General Fund will charge BARS Account 511.70, Object 90, in paying these costs. Record billings to outside districts and other constituencies in BARS Account 341.45.

f. Overhead is Allowable

Overhead or indirect costs are allowable using an approved federal indirect cost allocation plan. Most plans include costs from central service departments. Do not include in the plan costs already included as an internal service fund charge. Circular A-87, mentioned above, contains guidance on indirect costs.

In the absence of an approved plan, a flat 15 percent of adjusted general election costs is allowable for overhead. Adjusted general election costs are the total of salaries and wages, employee benefits, supplies, and other services and charges properly charged to BARS Account 511.70 (BARS Objects 10-40).

The 15 percent overhead factor is in lieu of interfund charges and depreciation. The factor may be used when elections are accounted for as an internal service fund, a special revenue fund or a department in the General Fund.

g. The Method of Allocating Costs Depends on the Method of Processing Votes

(1) Allocation of Costs Where Votes Are Tallied Using Punch Cards

The following allocation method must be used when elections are conducted using punch cards (Chapter 29.34 RCW). This method spreads election costs based upon the number of voters in a jurisdiction. Additional ballot measures and positions add costs at a rate of 20 percent. A different rate may be allowed. See part h.

(a) Determine total election costs to be allocated.* See part b of this interpretation and Attachment l.

(b) Determine a factor for the number of issues and offices for each jurisdiction. A factor of l.0 will be assigned for the first ballot issue or office for the jurisdiction. Each additional issue or office will add 0.2 to the factor. For example, a city with 3 offices to be decided would have a factor of l.4 (l.0 + 0.2 + 0.2).

* This amount will be the total in Account 511.70 adjusted for depreciation/capital outlay, overhead or indirect costs, total minimum fees, and special costs to be billed directly to taxing districts. See Attachment l, Schedule 2.

(c) Multiply the issue and office factor determined in step (b) times the number of voters in that jurisdiction. This will give a weighted registration factor.

(d) Total the weighted registration factors (step (c)) for all jurisdictions.

(e) Divide the weighted registration factor (step (c)) for each jurisdiction by the total weighted registration factor (step (d)) to yield a percentage cost factor.

(f) Multiply the percentage cost factor (step (e)) times the election costs to be allocated to allocate general election costs.

(g) Add the fifty dollar fee and any direct costs. This will give the amount due from the jurisdiction.

Attachment 2 illustrates how the allocation shall be made.

(2) Allocation of Costs Where Voting Machines or Paper Ballots Are Used

The following allocation method must be used when elections are conducted using voting machines or paper ballots (Chapter 29.30 RCW). This method spreads election costs based upon the number of voters in a jurisdiction. Additional ballot measures and positions add costs at an effective rate of 100 percent. A different rate may be allowed. See part h.

(a) Determine total election costs to be allocated.* See part b of this interpretation and Attachment l.

(b) Determine the number of registered voters in each jurisdiction concerned.

(c) Determine the number of positions to be filled together with the number of measures (if any) each jurisdiction is submitting to the voters. Each such position and measure is to be counted as a single unit.

(d) Multiply each registration figure as described in step (b) by the applicable number of units as determined by step (c). This will give a weighted registration factor.

(e) Total the weighted registration factors (step (d)) for all jurisdictions.

(f) Divide the total weighted registration factor (step (e)) into each of the respective weighted registration factors (step (d)). This establishes the percentage cost factor each jurisdiction is to share of the election costs to be allocated.

(g) Multiply the percentage cost factor established in step (f) times the election costs to be allocated (step (a)). The product of this computation is the allocated general election costs.

* This amount will be the total in Account 511.70 adjusted for depreciation/capital outlay, overhead or indirect costs, total minimum fees, and special costs to be billed directly to taxing districts. See Attachment l, Schedule 2.

(h) Add the fifty dollar minimum fee and any direct costs. This will give the amount due from the jurisdiction.

Attachment 3 illustrates how the allocation must be made.

h. A Different Factor for Additional Issues and Offices May Be Allowed

As outlined in section g, the weighted registration factor is adjusted for additional issues and offices each jurisdiction places on the ballot. Elections conducted using punch cards must increase each jurisdiction's cost by a 20 percent factor for each additional issue and office. Likewise, elections conducted using voting machines or paper ballots must use 100 percent.

If the County Auditor believes that use of the applicable percentage results in an unreasonable result, the State Auditor's Office may approve a different percentage. The County Auditor should contact our office for such approval. In no event may a different percentage by used without our prior approval.

i. Charge a Fifty Dollar Minimum Fee

The County Auditor shall collect a minimum fee of fifty dollars per jurisdiction. The fee will be charged to all jurisdictions holding an election and will be added after the allocation of general election costs. See Attachment 2, column 8 or Attachment 3, column 7.

These fees shall not exceed a rate of five dollars per registered voter. The total minimum fees charged will be subtracted from total adjusted election costs. See Attachment l, Schedule 2.

j. Account for Costs of Recounts Separately

Where ballots are recounted, the jurisdiction or the candidate is charged the cost (Chapter 29.64 RCW). These costs shall be accounted for separately. Recount billings to the jurisdiction shall be shown apart from charges for other election costs. The fee collected is a charge for a service. Use BARS Account 341.45.

k. Effective Date

This interpretation will be effective January 1, 1986. Costs incurred prior to this date are chargeable, provided they have not already been recovered under an earlier accounting method.

BUDGET REPORTS

BUDGET DETAIL REPORT
12/31/84

	Budget	Expenditures	Balance
001 010 ELECTIONS:			
001 010 100 General Election #1:			
511.70 Election Costs-General:			
10 Salaries & Wages			
11 Salary	$20,000.00	$18,000.00	$2,000.00
12 Extra Help	2,000.00	1,000.00	1,000.00
Total Salaries & Wages	22,000.00	19,000.00	3,000.00
20 Personnel Benefits			
20 Personnel Benefits	2,000.00	1,800.00	200.00
Total Pers. Benefits	2,000.00	1,800.00	200.00
30 Supplies			
30 Office & Oper. Supplies	500.00	500.00	0.00
Total Supplies	500.00	500.00	0.00
40 Other Services & Charges			
42 Communication	300.00	250.00	50.00
44 Advertising	400.00	400.00	0.00
49 Printing & Binding	700.00	600.00	100.00
Total Other Services and Charges	l,400.00	1,250.00	150.00
60 Capital Outlay			
64 Machinery & Equipment	3,000.00	2,500.00	500.00
Total Capital Outlay	3,000.00	2,500.00	500.00
90 Interfund Payment for Services			
95 Interfund Operating Rentals & Leases	1,200.00	1,200.00	0.00
Total Interfund Payment for Services	l,200.00	1,200.00	0.00
Total 511.70 Election Cost-General	30,100.00	26,250.00	3,850.00
001 010 200 Direct Election Costs:			
511.77 Election Costs-Direct:			
49.01 Printing & Binding, School District 101	100.00	85.00	15.00
49.02 Printing & Binding School District 201	100.00	85.00	15.00
Total Printing & Binding	200.00	170.00	30.00
Total 511.77 Election Costs-Direct	200.00	170.00	30.00
TOTAL ELECTIONS	$30,300.00	$26,420.00	$3,880.00

ELECTION COSTS TO BE ALLOCATED

This schedule illustrates a case where elections are handled as a department of the General Fund and the 15% overhead factor is used in place of an approved indirect cost allocation plan.

Object		
10	Salaries & Wages	$19,000.00
20	Personnel Benefits	1,800.00
30	Supplies	500.00
40	Other Services & Charges	1,250.00
	General Election Costs	$22,550.00
	Add: Overhead ($22,550.00 x 15%)	3,382.50
	Total General Election Costs	$25,932.50
	Less: Total Minimum Fees (5 Jurisdictions @ $50)	(250.00)
	General Election Costs to be Allocated	$25,682.50

PUNCH CARD BALLOTS

ALLOCATION OF ELECTION COSTS

1	2	3	4	5	6	7	8	9	10
Jurisdiction	Registered Voters	Issue and Office Factor Number Factor		Weighted Registration Factor[1]	Percentage Cost Factor[2]	Allocation of General Election Costs[3]	Minimum Fee	Direct Costs[5]	Total Costs
State	5,000	7	2.2	11,000	0.5263	$13,516.70	$ 50.00	$ -	$13,566.70
County	5,000	3	1.4	7,000	0.3349	8,601.07	50.00	-	8,651.07
School District 101 10 101	1,000	2	1.2	1,200	0.0574	1,474.18	50.00	85.00	1,609.18
School District 201 201	1,000	2	1.2	1,200	0.0574	1,474.18	50.00	85.00	1,609.18
City of Small	500	1	1.0	500	0.0240	616.37	50.00	-	666.37
	$12,500			20,900	1.000	$25,682.50[4]	$250.00	$170.00	$26,102.50

1. Column 2 times Column 4
2. Column 5 divided by 20,900
3. Column 6 times $25,682.50
4. Source: Attachment 1, Schedule 2
5. Printing costs source: Attachment 1, Schedule 1

Note that columns 7 and 8 total $25,932.50, which equals total general election costs on Schedule 2 (Attachment 1).

VOTING MACHINES OR PAPER BALLOTS

ALLOCATION OF ELECTION COSTS

1	2	3	4	5	6	7	8	9
Jurisdiction	Registered Voters	Number of Issues and Offices	Weighted Registration Factor[1]	Percentage Cost Factor[2]	Allocation of General Election Costs[3]	Minimum Fee	Direct Costs[5]	Total Costs
State	5,000	7	35,000	0.6422	$16,493.30	$ 50.00	$ -	$16,543.30
County	5,000	3	15,000	0.2752	7,067.82	50.00	-	7,117.82
School District 101	1,000	2	2,000	0.0366	939.98	50.00	85.00	1,074.98
School District 201	1,000	2	2,000	0.0366	939.98	50.00	85.00	1,074.98
City of Small	500	1	500	0.0094	241.42	50.00	-	291.42
	12,500		54,500	1.0000	$25,682.50[4]	$250.00	$170.00	$26,102.50

1. Column 2 times Column 3
2. Column 4 divided by 54,500
3. Column 5 times $25,682.50
4. Source: Attachment 1, Schedule 2
5. Printing costs source: Attachment 1, Schedule 1

9. ACCOUNTING FOR PATHS AND TRAILS

Under Chapter 47.30 RCW, certain cities, towns, and counties may use a portion of their motor vehicle fuel tax funds to establish and maintain paths and trails for pedestrians, equestrians or bicyclists as a part of streets, roads and highways.

The amount a city or county expends annually must be at least one-half percent of the total amount of funds received from the motor vehicle fund according to the provisions of RCW 46.68.100. In lieu of expending the funds each year, however, a city or county may set aside such funds into a financial reserve account or a special reserve fund to be held for this specific purpose provided it is expended within ten years.

Chapter 47.30 RCW is limited to those cities in which the one-half percent exceeds $500 per year and to those counties in which the one-half percent exceeds $3,000 per year. In effect, this means that the annual income from motor vehicle fuel tax must exceed $100,000 for a city or $600,000 for a county before it is mandatory to fund paths and trails. Cities and counties with less annual income from motor vehicle fuel tax may fund paths and trails, but are not required to do so.

Also, per the Attorney General Memorandum dated June 7, 1982, until a city or county has set up a comprehensive plan for arterial streets and roads as required by RCW 47.26.170, they are not required to allocate any portion of the motor vehicle funds to a paths and trails fund. If the local government wishes to receive urban arterial trust moneys, they must have a comprehensive plan which includes provisions for paths and trails. Once a plan is set up, the requirements of RCW 47.30.050 apply.

Revenues from the motor vehicle fuel tax should be deposited in the respective City Street, Arterial Street, or County Road Fund and be credited to the appropriate 336 account. All expenditures for paths and trails should be made from the City Street, Arterial Street, or County Road Fund. Account 595.62 should be charged for construction, 541.62 for preservation, and 542.62 for maintenance.

In the event the expenditures accumulated in these accounts at the end of each year do not equal the percentage of motor vehicle fuel tax revenue reserved for this exclusive use, the unexpended balance should be reserved <u>or</u> deposited in a special revenue fund.

Cities or counties exercising the financial reserve option should reserve a portion of fund balance within the operating fund. Cities or counties exercising the special fund option should create a Paths and Trails Reserve Fund.

10. COUNTY AUDITOR'S OPERATION AND MAINTENANCE FUND (RECORDING FEES)

RCW 36.22.170 requires the county auditors to impose a surcharge of two dollars per instrument for each document recorded. This is in addition to any other charge authorized by law. Fifty percent of the surcharge should be deposited to the Auditor's Operation and Maintenance Fund (account 341.36) and fifty percent should be deposited in an agency fund (account 386.00) and remitted to the state treasurer. The state treasurer will distribute such funds every July to the counties in accordance with the formula described in RCW 36.22.190. Funds distributed by the state should be deposited to the Auditor's O&M Fund (account 336.04.11). These funds should be used for ongoing preservation of historical documents of all county offices and departments.

Historical documents include both ancient and contemporary documents. Many contemporary county documents have importance to history and are part of a chronological record of events in the development of a particular county and the state of Washington.

The County Auditor's Operation and Maintenance Fund is subject to budget requirements and must be appropriated.

RCW 36.22.175(1) requires a surcharge of one dollar per instrument for each document recorded, this is in addition to any other charge authorized by law. Revenue generated through this surcharge should be transmitted monthly to the state treasurer for deposit in the archives and records management account. These funds should be used solely for providing records scheduling, security microfilm inspection and storage, archival preservation, cataloging, and indexing for local government records and digital data and access to those records and data through the regional branch archives of the division of archives and records management.

RCW 36.22.175(3) requires a surcharge of one dollar per instrument for every document recorded after January 1, 2002, this is in addition to any other charges authorized by law. Revenue generated through this surcharge should be transmitted to the state treasurer monthly for deposit in the archives and records management account to be used exclusively for the construction and improvement of a specialized regional facility.

RCW 36.22.160 authorizes each county auditor to install and maintain an improved system for copying, preserving, and indexing documents recorded in the county. The initial installation of the improved system should include:

(1) The acquisition, installation, operation, and maintenance of the appropriate equipment; and

(2) The establishment of procedures for the continued preservation, indexing, and filing of all instruments and records that will, after the effective installation date, constitute a part of the improved system.

When disbursements are made, the county auditor should prepare a voucher in the regular manner, supported by details, documenting the expenditures. The auditor should place his/her certification on the face of the voucher and then draw a warrant against the Auditor's Operation and Maintenance Fund, in the same manner as is done for any other county fund.

The transactions are summarized as follows:

Revenue	Account Number	Account Description
$___.__	341.21	Auditor's Filings and Recordings General (Current Expense) Fund
$1.00	341.36	Auditor's Centennial Document Preservation and Modernization Surcharge (Auditor's O&M Fund)
$1.00	386.00	Centennial Document Preservation and Modernization Agency Deposit (Agency Fund). Monthly remittance to the state treasurer.
$2.00	386.00	Archives and Records Management Agency Deposit (Agency Fund). Monthly remittance to the state treasurer. (RCW 36.22.175(1), (3)).
$___.__	336.04.11	Auditor's Centennial Document Preservation and Modernization (Auditor's O&M Fund). The state treasurer's distribution of the surcharge to the county.

11. SOLID WASTE UTILITIES: CLOSURE COST ACCOUNTING

Background

The Department of Ecology (DOE) mandates solid waste landfills closure standards in WAC 173-304-467 and WAC 173-351-600. The standards prescribe specific closure procedures and the funding of them. While these standards apply to a landfill's closure, they are associated with its operation and represent a material cost to be recognized during its operation.

In August 1993, the Governmental Accounting Standards Board (GASB) issued Statement 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. This Statement establishes standards of accounting and financial reporting for municipal solid waste landfill closure and postclosure care costs that are required to be incurred by federal, state, and local laws or regulations.

Guidelines

WAC 173-304-467 and WAC 173-351-600 require each owner or operator to prepare written closure and postclosure cost estimates as part of the facility closure plan. This plan is to be reviewed annually and adjusted for cost changes, including inflation.

Each owner or operator is also required to either establish a reserve account or provide another form of financial assurance that, over the life of the facility, funds will be adequate to cover the costs of closing the facility in accordance with state and federal regulations (RCW 70.95.215). DOE rules require that reserve accounts be set aside as restricted assets. These requirements apply to all landfill disposal facilities whether on a modified accrual or full accrual basis.

Landfills using proprietary fund accounting and reporting should recognize a portion of the closure and postclosure costs as an expense and liability in each period that they accept waste. The estimated cost assigned to each period should be based on the landfill use rather than the passage of time. GASB Statement 18 prescribes the following formula to determine the current period amount:

$$\frac{\text{Estimated total closure cost x Cumulative capacity used}}{\text{Total estimated capacity}} - \text{Amount previously recognized}$$

Landfills using governmental fund accounting and reporting should use the same method as proprietary funds for the measurement and recognition of the accrued liability for closure and postclosure costs (described above).

GASB Statement 18 also provides guidance on equipment which is a part of the closure costs, versus equipment that is used during normal operations. The estimated cost of equipment expected to be part of the closure costs should be included in the closure cost estimate and the liability as calculated for each period. Such equipment cost should not be capitalized. When these assets are acquired, they should be reported as a reduction of the liability.

GASB Statement 18 requires state and local governments to disclose the nature and source of landfill closure and postclosure care requirements, the nature of estimates, the reported liability at the balance sheet date, the estimated cost remaining to be recognized, the percentage of landfill capacity used to date, and the estimated remaining landfill life in years. Governments also are required to disclose how closure and postclosure care financial assurance requirements are being met.

12. CRIMINAL JUSTICE FUNDING

Criminal justice funding comes to the cities and counties in a number of formulas and requirements specified in statute. The following is a summary of the distributions including BARS coding:

A. Cities and counties will receive quarterly distributions based on formulas specified in the statute (RCW 82.14.310 and .320). For counties, the formula is based on population, crime rate and felony criminal cases filed for trial. For cities, the formula is based primarily on a high crime rate. Both of these distributions are coded 336.06.10.

B. A second distribution to cities (RCW 82.14.330) is based on many different factors. A portion of this distribution is based on the violent crime rate and population and is allocated quarterly. This distribution is coded 336.06.21.

C. The other distributions depend on programs and services provided by cities. Funding is available in one or more of the following areas:

1. Innovative law enforcement strategy;
2. Programs to help at-risk children, or child abuse victims response programs;
3. Programs to reduce the level of domestic violence or provide counseling for domestic violence victims; and
4. Contracts with other entities for law enforcement.

To receive these funds, cities must apply to the Department of Community, Trade and Economic Development and meet requirements published by the Community Protection and Development Services. Compliance with those requirements is subject to an audit. These distributions are coded to BARS accounts 336.06.22, .23, .24 and .25.

The distributions described in paragraphs A and B are limited by the following wording in the statute: "Moneys distributed under this section shall be expended exclusively for criminal justice purpose and shall not be used to replace or supplant existing funding. Criminal justice purposes are defined as activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates, as defined in RCW 70.123.020. Existing funding for purposes of this subsection is defined as calendar year 1989 actual operating expenditures for criminal justice purposes. Calendar year 1989 actual operating expenditures for criminal justice purposes exclude the following: Expenditures for extraordinary events not likely to reoccur, changes in contract provisions for criminal justice services, beyond the control of the local jurisdiction receiving the services, and major nonrecurring capital expenditures."

The following guidance is in response to the restrictions imposed by the above quotation from the law.

CRIMINAL JUSTICE PURPOSES

All of the moneys made available to local governments through this legislation are limited to funding of criminal justice purposes. Criminal justice purposes can be defined as activities relating to the enforcement and administration of the criminal law. The term "Criminal justice purposes" indicates a broad definition which would encompass all costs incurred in connection with the administration and enforcement of criminal laws, including those systems for dealing with persons suspected of, accused of, charged with, or convicted of crimes and domestic violence services.

Cities and counties need to be aware that this funding is primarily for criminal justice. However, the statute does allow for benefit to the civil justice system. The benefit to the civil justice system should be a secondary benefit as a result of expenditures primarily for the criminal justice system.

SUPPLANTING OF EXISTING FUNDS

Existing funding is defined as calendar year 1989 actual operating expenditures for criminal justice purposes excluding expenditures for:

1. Extraordinary events not likely to reoccur;

2. Changes in contract provisions for criminal justice services, beyond the control of the local jurisdiction receiving the services; and

3. Major nonrecurring capital expenditures.

The new state funding may be used for capital and other nonrecurring expenditures so long as the expenditure is for criminal justice purposes and is reasonable (e.g., the purchase of police cars). However, if a new roof is put on the county courthouse, only that portion that applies to criminal justice purposes would qualify (i.e., allocating the cost of the roof by square footage).

An entity would be supplanting by paying back interfund loans where the borrowed funds were used for criminal justice purposes. The repayment of these loans would be the equivalent of replacing existing criminal justice funding. The intent of the act is to ensure that the new funding results in increased financial resources devoted to criminal justice purposes.

As these moneys are expended, an entity must ensure that the criminal justice expenditures are at least equal to the base of "existing funds" plus selected revenues generated by the latest legislation. Once the base is established, the accounting system may be expanded by the following methods to ensure compliance with the non-supplanting provisions of the law:

1. An accounting system may employ budgetary and accounting code controls for the use of these funds.

OR

2. A new fund may be established should the entity feel it is necessary.

It is the entity's responsibility to provide evidence for an audit that it did not supplant existing funding. Therefore, it is important to document the base year (1989 expenditures less major capital or nonrecurring items), and the actual criminal justice expenditures and reserved fund balance for the current year.

13. **RISK MANAGEMENT PRINCIPLES**

This interpretation establishes the accounting and financial reporting requirements for risk management activities of local governments. It implements the Governmental Accounting Standards Board (GASB), Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, GASB Interpretation 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools*, and Chapter 48.62 RCW.

Effective Date.

a. State of Washington. **These requirements are effective for financial statements prepared for accounting periods beginning January 1, 1991 or thereafter.**

b. GASB Statement 10. These requirements are effective for financial statements prepared for accounting periods beginning after June 15, 1994.

c. GASB Interpretation 4. The provisions of the Interpretation are effective for financial statements for periods beginning after June 15, 1996.

Accounting Standards. GASB Statement 10 and Interpretation 4 require local governments to use the following standards:

A capitalization contribution to a public entity risk pool WITH transfer or pooling of risk should be reported as a deposit if it is **probable** that the contribution will be returned to the entity upon either the dissolution of or the approved withdrawal from the pool. An entity's determination that the return of the contribution is probable should be based on the provisions of the pooling agreement and an evaluation of the pool's financial capacity to return the contribution. In governmental funds, fund balance should be reserved to indicate that the deposit is not appropriable for expenditures.

If it is **not probable** that a capitalization contribution will be returned, the contribution should be reported:

(1) In governmental funds, the entire amount of the capitalization contribution may be recognized as an expenditure in the period of the contribution; reporting of prepaid insurance is not required. Otherwise the contribution should be reported initially as prepaid insurance (an asset), and expenditures should be allocated and recognized over the periods for which the pool is expected to provide coverage. If prepaid insurance is reported, fund balance may be required to be reserved to indicate that the amount is not appropriable for expenditures.

(2) In proprietary funds, the contribution should be reported initially as prepaid insurance (an asset), and expenses should be allocated and recognized over the periods for which the pool is expected to provide coverage.

In both cases, the periods expected to be covered should be consistent with the periods for which the contribution is factored into the pool's determination of premiums but should not exceed ten years if is not readily determinable.

A capitalization contribution to a public entity risk pool WITHOUT transfer or pooling of risk should be reported as a deposit or a reduction of claims liabilities.

Local governments are required to report an estimated loss from a claim as an expenditure/expense and as a liability if both of these conditions are met:

(a) Information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will also occur, confirming the fact of the loss.

(b) The amount of the loss can be reasonably estimated.

If a government uses a single fund to account for its risk financing activities, that fund should be either the general (current expense) fund or an internal service fund. Both funds must use the method described above for calculating claims liabilities. However, the following procedures also apply:

(a) If the general fund is used, accounting and reporting must be on the modified accrual basis of accounting.

The entity may use any method it chooses to allocate loss expenditures/expenses to the other funds of the entity. However, if the total amount charged to the other funds, (including the general fund itself) exceeds total expenditures and liabilities, the excess amounts should be reported as transfers. Transactions that constitute reimbursements of a fund for expenditures/expenses initially made from it that are properly applicable to another fund should be reported as expenditures/expenses in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

(b) If an internal service fund is used, accounting and reporting must be on the full accrual basis of accounting.

The internal service fund should recognize both current and long-term claims expenses and liabilities for its risk financing activities within the fund.

The internal service fund may use any basis it considers appropriate to charge other funds of the entity, as long as the following conditions are met:

(1) The total charge by the internal service fund to the other funds for the period is calculated in accordance with GASB Statement 10, paragraphs 53 through 57; or,

(2) The total charge by the internal service fund to the other funds is based on an actuarial method or historical cost information and adjusted over a reasonable period of time so that internal service fund revenues and expenses are approximately equal.

(3) In addition to (2) above, the total charge by the internal service fund to the other funds may also include a reasonable provision for expected future catastrophe losses.

Charges made in accordance with the foregoing provisions should be recognized as revenue by the internal service fund and as expenditures/expenses by the other funds of the entity. Deficits, if any, in the internal service fund resulting from the application of (2) and (3) above do not need to be charged back to the other funds in any one year, as long as adjustments are made over a reasonable period of time; however, a deficit fund balance of the internal service fund should be disclosed in the notes to financial statements.

If the charge by the internal service fund to the other funds is greater than the amount resulting from the application of (1) through (3) above, the excess should be reported in both the internal service fund and the other funds as a transfer.

If the charge by the internal service fund to the other funds fails to recover the full cost of claims over a reasonable period of time, any deficit fund balance in the internal service fund should be charged back to the other funds and reported as an expenditure/expense of those funds.

Loss Recognition Principles.

Current generally accepted accounting principles continue to apply to all state and local governmental entities. These principles require entities to recognize loss liabilities and related expenditures/expenses in conformity with FASB Statement 5, *Accounting for Contingencies*. These principles are as follows:

When a loss contingency exists, the likelihood that the future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from probable to remote. These terms are defined as follows:

a. Probable. The future event or events are likely to occur.

b. Reasonably possible. The chance of the future event or events occurring is more than remote, but less than likely.

c. Remote. The chance of the future event or events occurring is slight.

If a claim is asserted and the probable loss is reasonably estimable, the expenditure/expense and liability should be recognized in the financial statements. Incidents often occur before the end of the accounting period where claims are not reported or asserted when the financial statements are prepared. If an incurred but not reported (IBNR) loss can be reasonably estimated, and it is probable that a claim will be asserted, the expenditure/expense and liability should be recognized.

Financial statement footnote disclosure should be made for any contingent liability for claims when there is at least a reasonable possibility that a loss may have been incurred. This disclosure would indicate the nature of the contingency and should give an estimate of the possible loss or range of loss, or state that such an estimate cannot be made.

Financial statement footnote disclosure is not required for a loss contingency involving an unreported claim or assessment if there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable.

Financial Statement Disclosures.

The financial statement disclosures may be made for the entity as a whole. However, there may be circumstances when aggregate disclosures are misleading. In those circumstances, additional or separate presentation should be made by fund or by fund type. In addition, there may be circumstances under which disclosures by fund or by fund type may provide more useful information than disclosures presented in the aggregate.

If a pool included in the oversight entity's financial report issues its own separate report, the report should emphasize oversight entity disclosures about its participation in a pool and provide reference to the separate report of the pool.

Component units that participate in their oversight entity's risk management internal service fund should make the disclosures required above in their separately issued component unit financial statements. The component unit should also disclose the fact that the unit participates in the fund, including a description of the nature of that participation, and state the rights and responsibilities of both the unit and the oversight entity.

Report To State Auditor's Office By Local Governments Which Provide Claims Servicing Or Insurance Coverage To Others.

GASB Statement 10 prescribes the following requirements for those entities which provide claims servicing or insurance coverage to others:

a. If an entity provides insurance or risk management coverage separate from its own risk management activities to individuals or organizations outside the governmental reporting entity and there is material transfer or pooling of risk among the participants, that activity should be accounted for as a public entity risk pool. The governmental reporting entity is the oversight unit, and all related component units, if any, must be combined in accordance with Codification Section 2100, *Defining the Reporting Entity*.

b. If an entity provides risk transfer or pooling coverage combined with its own risk management activities to individuals or organizations outside its reporting entity, those activities should continue to be reported in the general fund or an internal service fund only as long as the entity is the predominant participant in the fund. If the entity is not the predominant participant in the fund, then the combined activities should be reported as a public entity risk pool.

c. If an entity performs claims-servicing functions, not insurance functions, for individuals or organizations that are not a part of the governmental reporting entity, amounts collected or due from those individuals or organizations and paid or to be paid to settle claims should be reported as a net asset or liability on an accrual basis, as appropriate. The operating statement should report claims-servicing revenue and administrative costs from these activities.

This section establishes a new reporting requirement for all governmental entities which provide claims servicing or insurance coverage to others. This one-time report should be submitted to the state auditor for financial reports covering accounting periods which end on December 31, 1991 or after. A revised report should also be submitted to the State Auditor's Office whenever new relationships are established, and whenever existing relationships are revised or terminated. Negative reports are required. A copy of any such report should be maintained on file at the entity for subsequent review and inspection by the state auditor. Please refer to Example 1 in the following pages for report format.

Report To State Auditor's Office By Local Governments Which Individually Assume Or Self-Insure Property Or Liability Risks.

Chapter 48.62 RCW establishes a new reporting requirement for all local governmental entities which individually assume or individually self-insure property or liability risks. This one-time report should be submitted to the state auditor for financial reports covering accounting periods which end on December 31, 1991 or after. A revised report should also be submitted to the State Auditor's Office whenever there is a change in the class of risk the entity assumes or self-insures. The information which must be included in this report is indicated on the attached report forms. A copy of any such report should be maintained on file at the entity for subsequent review and inspection by the state auditor.

This report does not include the self-insurance of unemployment compensation (Chapter 50.44 RCW) or industrial insurance (Chapter 51.14 RCW).

Use the following instructions when preparing this report for local governmental entities which individually assume or self-insure property or liability risks (Examples 2 and 3):

a. Report all known risks which have been either assumed or self-insured by the entity. If there is some doubt about whether or not to include a risk on this report, we recommend you disclose the information rather than omit it.

b. Indicate the date of the report being filed. For the initial report, include the appropriate fiscal period covered. For any subsequent report indicating a change to the risks being assumed, or claims servicing and insurance coverage provided to others, indicate the effective date of the change being reported.

c. Indicate the name, telephone number, and mailing address for the focal point of the entity's self-insurance program (e.g., manager of program).

d. Indicate the class of property or liability risks the governing body of the entity has decided to assume, as well as the appropriate dollar level involved. Also, indicate the effective date that the entity began assuming the responsibility for each "class of risk." Report this information by the following categories:

   (1) Deductible Provision for Purchased Commercial Insurance Policies.

   (2) Deductible Provision for Participation in Public Entity Risk Pools.

   (3) All Other.

   If there is some doubt about the appropriate category of risk to be used, we recommend you disclose the information rather than omit it.

Additionally, use the following instructions when preparing this report for local governmental entities which individually self-insure property or liability (Example 3):

e. Identify the amount and type of all program investments, the distribution of the assets, and the designation of the asset depository and investment agent.

f. Indicate if claims are administered by the entity's staff or whether the entity uses the services of a third party administrator. If so, include name, telephone number, and address of firm.

g. Indicate if the entity maintains historical claims costs or uses the services of an actuary. If so, include name, telephone number, and address of firm.

h. Indicate if the entity uses the services of a Certified Public Accountant, other than the State Auditor's Office (SAO). If so, include name, telephone number, address, and type of service provided by firm. Entity should also indicate whether the services were obtained by contract through the SAO.

PLEASE REFER TO THE FOLLOWING PAGES FOR SAMPLE REPORTS.

Example 1

LOCAL GOVERNMENT WHICH PROVIDES
CLAIMS SERVICING OR INSURANCE COVERAGE TO OTHERS

_____
(Entity Name)

Program
Manager: _____ Date:_____
Address: _____ Fiscal Period:_____
_____
Phone: _____

Organization:

Name: _____
Type: _____
Date Established: _____

Copies of the following documents are attached:

1. Document creating the organization
2. List of participating members, including identifying predominate member
3. Approval correspondence from state risk manager, if any

Does the entity provide claims services? If yes, describe the type of insurance claims managed.

_____

_____

_____

Does the entity provide insurance coverage to others? If yes, indicate the type of insurance and policy limits for each participating member.

_____

_____

_____

Is the accounting and reporting for this organization accomplished separately or as a component unit of the predominate member?

_____

_____

_____

Send report to: State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031

Example 2

LOCAL GOVERNMENT WHICH INDIVIDUALLY
ASSUMES PROPERTY OR LIABILITY RISKS

_____
(Entity Name)

Program
Manager: _____ Date:_____
Address: _____ Fiscal Period:_____
_____
Phone: _____

Class of Risk Assumed (see instruction d):

Effective Date	Type of Risk	Amount

Send report to:

State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031

Example 3

LOCAL GOVERNMENT WHICH INDIVIDUALLY
SELF-INSURES PROPERTY OR LIABILITY

_____
(Entity Name)

Program
Manager: _____ Date:_____
Address: _____ Fiscal Period:_____
_____
Phone: _____

Class of Risk Assumed (see instruction d):

Effective Date	Type of Risk	Amount

Program Investments (see instruction e):

Type of Investment	Distribution of Assets	Depository/Agent	Amount

Claims Information (see instruction f): _____

_____

_____

Actuarial Information (see instruction g): _____

_____

_____

Certified Public Accountant (see instruction h): _____

_____

_____

Send report to: State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031

14. REPORTING ENTITY

In June 1991, GASB issued Statement 14, *The Reporting Entity*, which is effective for financial statements for periods beginning after December 15, 1992.

Statement 14 establishes standards for defining and reporting on the financial reporting entity and applies to financial reporting by primary governments, as well as to separately issued financial statements of governmental component units. Statement 14 defines the financial reporting entity as consisting of *(1)* the primary government, *(2)* organizations for which the primary government is financially accountable, and *(3)* other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

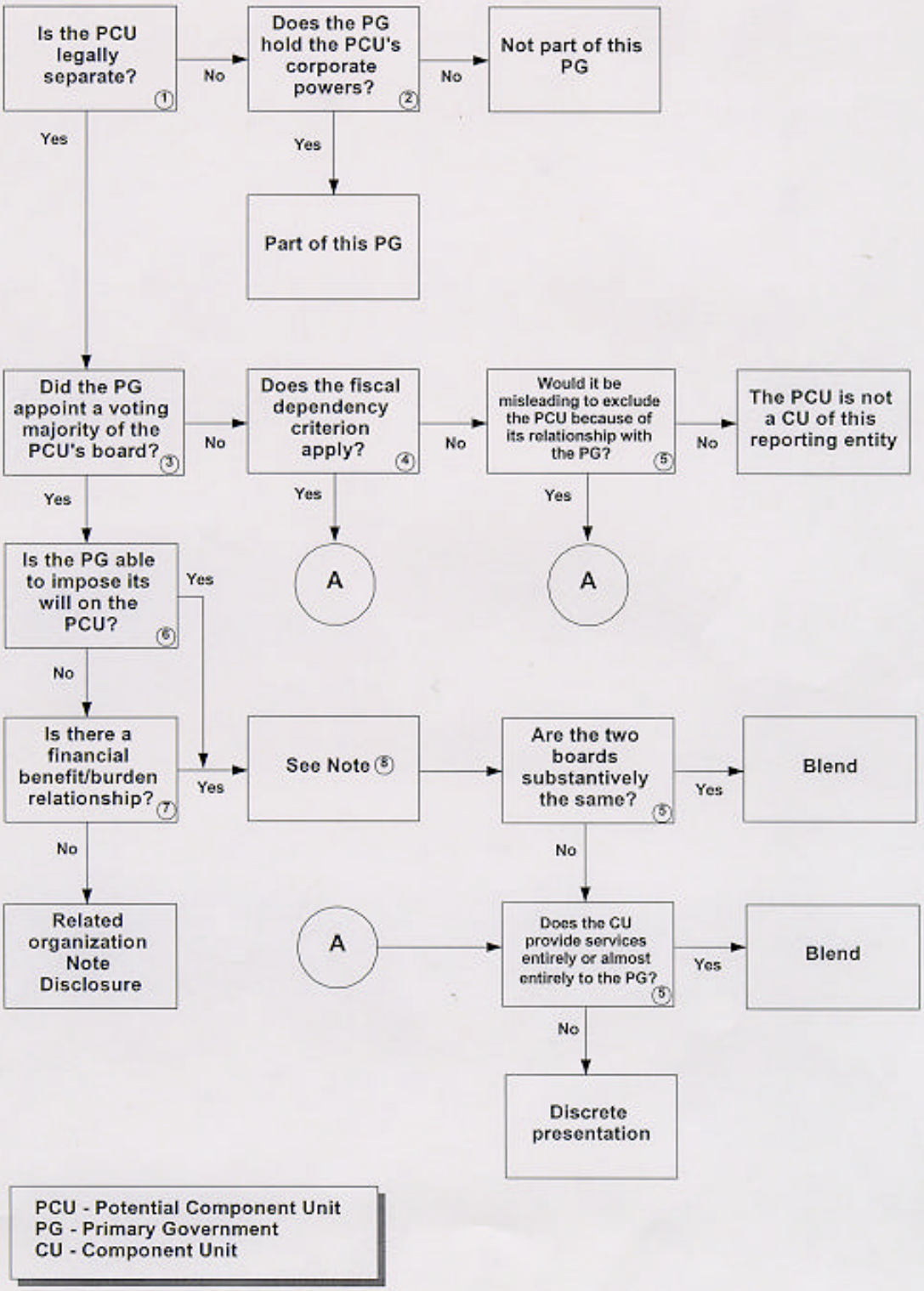
A primary government is financially accountable for those organizations that make up its legal entity as well as legally separate organizations if the primary government appoints a voting majority of an organization's governing body, and either it can impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Most organizations determined to be component units under Statement 14 should be included in the financial reporting entity by discrete presentation -- that is, by presentation in one or more columns separate from the financial data of the primary government. However, some component units may, in substance, be the same as the primary government and should be reported as part of the reporting entity -- that is, the component unit's balances and transactions are reported in a manner similar to those of the primary government, by "blending." It is likely that an organization considered to be a component unit under existing standards and "blended" will continue to be considered a component unit under Statement 14; however, according to Statement 14, that component unit will probably be reported by discrete presentation.

The following flowchart will help to determine the reporting status of an organization. Refer to the Glossary for definitions of the various terms.

Financial Reporting Entity Flowchart

(See notes on next page)



NOTES TO FINANCIAL REPORTING ENTITY FLOWCHART

1. An organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses corporate powers.

2. Corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to the state or local government; and the right to buy, sell, lease, and mortgage property in its own name.

3. The primary government's appointment authority should be substantive. This excludes selections from lists of candidates or confirmations. The requirements apply also to the situation in which the voting majority consists of a primary government officials serving as required by law (and not technically appointed). The primary government is accountable also if it can unilaterally abolish an organization or it has continuing appointment authority.

4. Fiscal dependence does not necessarily mean financial benefit or burden for a primary government. An organization is fiscally dependent if it can not meet all three of the following requirements without substantive approval of a primary government:

   a. determine its budget,

   b. levy taxes or set rates or charges, and

   c. issue bonded debt.

   It is also important to make a distinction between substantive and ministerial (compliance) approval. Ministerial approval is often a result of the general oversight of the respective state or local governments. This may include evaluation of programs, review for compliance with the statutory requirements, etc. Being subject to ministerial approval does not qualify an organization as fiscally dependent. Also a primary government that is temporarily under the fiscal control of another government continues to be fiscally independent.

5. Some component units, despite being legally or fiscally independent from the primary government, are so intertwined with the primary government that they are, in substance, the same as primary government. For example, they have substantially identical governing body, or exclusively or almost exclusively provide services or benefit the primary government.

6. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. The existence of any one of the following conditions indicates that the primary government has the ability to impose its will on an organization:

   a. The ability to remove the appointed members of the organization's governing body at will.

   b. The ability to modify or approve the budget of the organization.

   c. The ability to modify or approve the rate or fee changes affecting revenues, such as water usage rate increases.

   d. The ability to veto, overrule, or modify the decisions (other than those in b and c) of the organization's governing body.

   e. The ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the organization.

There may be other conditions indicating the possibility of imposing will. When assessing them remember to make the distinction between substantive and ministerial approvals.

7. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of a decision made by the primary government or agreements between the primary government and component unit.

An organization has a financial benefit or burden relationship with the primary government if <u>any one</u> of these conditions exists:

a. The primary government is legally entitled to or can otherwise access the organization's resources.

b. The primary government is legally obligated or has otherwise assumed the obligation to finance deficits of, or provide financial support to, the organization.

c. The primary government is obligated in some manner for the debt of the organization.

Exchange transactions between organizations and the primary government are not considered a financial benefit or burden relationship.

The effect of the financial benefits or burdens on the primary government can be either <u>direct</u> or <u>indirect</u>. A direct effect occurs when the primary government itself is entitled to the resources or obligated for the deficits or debts of the organization. An indirect relationship occurs when one or more of the primary government's component units is entitled to the resources and obligated for the deficits or debts of the organization. In <u>both</u> cases the primary government has the benefit/burden relationship with the organization.

8. A potential component unit for which a primary government is financially accountable may be fiscally dependent on another government. An organization should be included as a component unit of <u>only</u> one reporting entity. Professional judgment should be used to determine the most appropriate reporting entity. A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required for related organizations.

9. "Substantively the same" means sufficient representation of the primary government's entire governing body on the component unit's governing body to allow complete control of the component unit's activities.

10. The essence of this type of arrangement is much the same as an internal service fund - the goods or services are provided to the government itself rather than to the citizenry.

11. GASB Statement 14 allows flexibility in displaying the component units' financial data. Part 4 incorporates new requirements and provides examples of updated financial statements. Please refer to the matrix in Part 4, Chapter 1 for detailed listing of the possible displays for component units.

15. **SUSPECTED LOSS OF PUBLIC FUNDS**

RCW 43.09.185 states in part:

"State agencies and local governments shall immediately report to the state auditor's office known or suspected loss of public funds or assets or other illegal activity."

Any suspected or known loss of public funds should be immediately reported to the State Auditor's Office.

Correction of the loss without reporting to appropriate authorities or destruction of any pertinent records should not be attempted. All original records should be secured in a safe place, such as a safe or locked file cabinet until the State Auditor completes the investigation.

16. BOND COVERAGE FOR PUBLIC OFFICIALS AND EMPLOYEES

These recommendations are intended to make local governments aware of possible bond restrictions and limitations. Any modifications made in bond coverage should be thoroughly reviewed with your legal counsel.

a. Cover All Employees

Bond coverage should be provided for all employees. Since individual position bonds often are limited in coverage, the entity should consider an employee blanket bond.

b. Increase Amounts of Coverage

Dollar limits of current bond coverage may be established by statute, however, this minimum amount may not be enough. The bond coverage amounts should be reviewed to ensure that there is adequate coverage over loss. Costs associated with increased bond coverage are often minimal considering the protection that increased coverage provides.

A reasonable amount of bond coverage will vary with the size and financial activities of each local government. In determining the amount of coverage needed the insurance broker, legal counsel and other municipalities should be consulted when determining amount of coverage needed.

c. Improve Type of Coverage

Consideration should be given to the value of the less restrictive coverage of faithful performance bonds. Honesty bonds often require evidence of the employee's dishonesty before recovery can be made. Faithful performance bonds only require proof that a loss has been incurred.

d. Eliminate Restrictions on Coverage

Non-Cumulative Coverage – A common restriction in bond coverage is limiting any recovery to the face amount of the bond, regardless of the number of years the loss covered.

For example: Assume losses of $10,000, $20,000 and $20,000 were incurred in three consecutive years, respectively, and a $20,000 bond was in force for all three years. Non-cumulative coverage would limit the total bond recovery to $20,000, thereby resulting in an uninsured loss of $30,000.

The effect of the non-cumulative limitation should be considered when determining amounts of coverage.

Audit Costs – Sometimes an extensive audit is required in order to prove and document a loss. Audit costs are often not recoverable due to limitations in bond coverage. Specifically including audit costs in the bond coverage should be considered when establishing coverage.

Filing on Bond – Restrictions as to who can file for recovery on behalf of the bondholder should be reviewed. Such restrictions could prevent filing by the Attorney Generals Office or other regulatory agency, resulting in additional legal costs to the local government.

d. Bond Coverage Does Not Replace Errors and Omission Coverage

A bond is not insurance. Although the bonding company may pay on a loss, it can seek to recover the amount it paid from the bonded official. To protect officials from such liability, local governments should consider carrying errors and omission insurance.

17. MEMBERSHIPS IN CIVIC AND SERVICE ORGANIZATIONS

There has been a dramatic shift in business, social, and governmental cultures which has impacted the way the legal community views implied powers of municipal corporations. Included in this contemporary analysis is a recognition that membership in a local civic or service organization may, indeed, benefit a municipal corporation.

The AG's office and SAO has concluded that the intent of membership payments by a municipal corporation should be considered. However, payments of memberships to fraternal organizations, or community/social organizations such as golf and country clubs, should continue to be questioned. While municipal corporations have no obligation to pay for employee and officer memberships, should they choose to do so, a formal policy should be adopted to include:

- The legislative body's intent that officers and employees be active participants in service and civic organizations.
- Those services and civic organizations to whom membership fees will be paid on behalf of officers and employees.
- The limit on the number of individuals for whom membership payment will be made to any on organization, and a delineation of criteria for multiple memberships.
- The benefit, which the municipal corporation will derive from the membership in an organization and the authorized activity to which such benefit, is related.
- Those municipal corporation positions for which membership fees will be paid.
- Ancillary costs of membership which the municipal corporation will or will not pay, or provide reimbursement (i.e. meal costs incurred during meeting, costs incurred traveling to and from meetings, costs incurred as a result of the employees membership such as, time required to attend meetings or for committee participation and time required to perform duties of appointed/volunteer/elected positions) or time and expenses incurred as a result of attendance at related meetings such as regional, state, or national conventions.
- Approval authority for payment of expenses incurred as a result of membership in civic or service organizations, or for deviation from established policy.
- Limitations on the dollar amount that will be paid to a single organizations or on behalf of an individual.
- A prohibition of employee or officers, whose civic or service organization dues are paid in whole or in part by the municipal corporation:

1. Exerting influence on other employees or officers to provide financial contributions or other support to the civic or service organization.
2. Using the civic or service organizations as a forum for lobbying in support of or opposition to political or legislative actions, or the promotion of endeavors in which the officer or employee may have a direct or indirect financial interest or may acquire a personal benefit or gain.

18. CELLULAR PHONES AND PREPAID PHONE CARDS

Cellular Phones

- Local governments are responsible for controlling managing and the usage of their cellular telephones. It is the decision of entity management whether to allow employees personal use of their cellular telephones. If personal use is allowed, the entity needs to establish a system to ensure individuals are responsible for the payment of their non-business or personal calls. Such a system for example, may be a signed agreement that allows the entity to deduct the cost of unpaid calls from the employee's paycheck or an initial deposit to cover those costs.

- Additionally, when personal use of cellular telephones is allowed, a system also needs to be established that requires the employee to review the telephone bill statement and identify personal calls made. The employee should be required to submit payment for their portion of the bill at that time.

Pre-paid phone cards

- Before pre-paid phone cards are used, management should be able to track:

  ✓ Who made the phone calls.
  ✓ The cost of the calls.
  ✓ The purpose of the calls.

- If these items cannot be tracked, the use of these cards is not advisable.

19. REDEEMED WARRANTS/CANCELLED CHECKS

Due to many local governments no longer receiving redeemed warrants and canceled checks from their financial institutions the following is guidance which pertains to such effected entities.

The State Auditor's office recommends local governments receive and retain all redeemed warrants and canceled checks from public accounts as part of their public records. This may be either the original (actual) document or "read-only" (certified electronic format). Those entities using the county as their fiscal agent may continue allowing the county to maintain these documents.

The reasons for this recommendation are twofold:

1. Receiving and reviewing these documents is an integral part of the entities internal control system. Many disbursement frauds may be detected by having an independent party scan the front and back of all redeemed warrants and canceled checks.

2. Our office is responsible for auditing the receipt, safekeeping and disbursements of public funds. To fulfill this responsibility, we must have access to all original source documents, including redeemed warrants and canceled checks.

We recognize a small cost may be associated with receiving these documents from your financial institutions. However, this cost will be substantially less than costs associated with our office requesting these documents during an audit.

20. SALARY INCREASES FOR ELECTED OFFICIALS AND THE CONSUMER PRICE INDEX

Many questions have arisen over the years about whether salaries for city council members or county commissioners can be increased by tying them to an index, such as the Consumer Price Index (CPI). However, we have consistently concluded that this sort of salary increase is indeed a violation of the State Constitution. We have stated, and continue to advise, that unless the increase can be foreseen at the beginning of the term, salary increases connected to an index violate the constitutional restriction. This conclusion has been supported by a Superior Court decision, Telford v. Thurston County Commissioners and Thurston county and informal opinion by the Office of the Attorney General.

Applicable References:

1. Article 2, section 25 (amend. 35) of the Washington Constitution provides that the compensation of a public officer shall not be increased during his or her term of office.

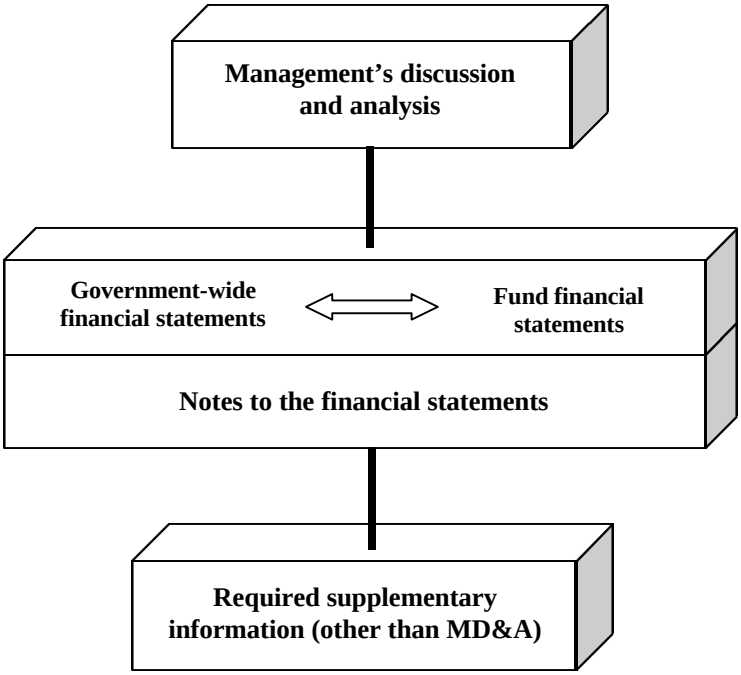
2. Article 2, section 25 of the Washington Constitution prohibits a public officer or employee from receiving extra compensation after the services for which the compensation is given have been rendered.

3. The decision to increase the compensation of public utility district commissioners or the manager must be made at an open public meeting. The validity of a meeting under the Open Public Meetings Act is determined by whether notice of the meeting and the opportunity to attend are provided in accordance with RCW 42.30.030 and .070.

The requirements for financial reporting in accordance with generally accepted accounting principles (GAAP) are established by the Governmental Accounting Standards Board (GASB). The GASB has adopted the standards prescribed by its predecessor, the National Council on Governmental Accounting (NCGA), including Statement 1, Principle 12.

The annual financial statements prepared by local governments were revisited and improved substantially by the GASB Statement 34 enacted in June 1999. This BARS manual encompasses those changes.

The following diagram illustrates the minimum requirements for general purpose external financial reports.



1. Management Discussion and Analysis (MD&A)

MD&A should introduce the basic financial statements and provide an analytical overview of the local government's financial activities. It is part of the Required Supplementary Information (RSI), however it should be presented before the basic financial statements. The MD&A should provide an objective and easily readable analysis of the local government's financial activities. It should include comparisons of current year to the prior year based on the government-wide information. It also includes information regarding the local government budget variances, capital assets, long-term debt activity, and a description of currently known facts, decisions, or conditions expected to have a significant effect on financial position or results of operations.

2. Basic Financial Statements

Government-Wide Financial Statements

The government-wide financial statements consist of a s*tatement of net assets* and a s*tatement of activities*. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Each statement distinguishes between the governmental and business-type activities of the primary government and its discretely presented component units.

Statement of Net Assets

The statement of net assets presents the local government as one economic unit rather than a compilation of different funds. The statement focuses on type of activities, rather than type of funds. Local governments should report all capital assets, including infrastructure assets in the government-wide statement of net assets. The net assets should be reported in three categories: invested in capital assets, net of related debt, restricted and unrestricted.

Statement of Activities

The statement of activities is a report on the results of the local government's operations. The statement presents the cost of each function and the extent to which each of the local government's functions, programs or services either contributes to or takes away from the local government's general revenue.

The required format provides:

1. information indicating the extent to which current-year program revenues supported the cost of the current-year services, and
2. how the local government finances its activities.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting. These funds are presented by general fund; major funds, and aggregated nonmajor funds.

There are two statements required - the balance sheet and the statement of revenues, expenditures and changes in fund balance. General capital assets and general long-term liabilities are not reported in the governmental fund balance sheet. (They are reported in the government-wide financial statements.)

The statement of revenues, expenditures and changes in fund balance reports information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate.

Each statement reports separate columns for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding element totals for all funds of that category or type and at least five percent of the corresponding element total for all governmental or enterprise funds combined. The local government may choose to report any other funds as a major fund if they believe they are important to users. The nonmajor funds are reported in aggregate in a separate column.

Proprietary Funds Financial Statements

There are three required fund financial statements for proprietary funds:

1. statement of net assets (or balance sheet),
2. statement of revenues, expenses, and changes in fund net assets, and
3. statement of cash flows.

Proprietary funds continue to be presented on the economic resources measurement focus and the full accrual basis of accounting. Proprietary funds are reported the same way as in the government-wide financial statements. However, internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column.

The proprietary statement of net assets (or balance sheet) presents assets and liabilities in a classified format. Restricted assets are reported separately. Net assets should be reported in the following three components: invested in capital assets, net of related debt, restricted and unrestricted.

The proprietary statement of revenues, expenses, and changes in fund net assets reports in a specific format prescribed by the GASB Statement 34. All transactions that affect net assets are included. Revenues are reported by major source. Expenses are reported by either detail (object) or function level. Revenues and expenses should distinguish between operating and nonoperating.

Fiduciary Fund Financial Statements

The following are required financial statements for fiduciary funds:

1. statement of fiduciary net assets, and
2. statement of changes in fiduciary net assets.

The fiduciary statements are prepared using the economic resources measurement focus and full accrual basis of accounting (with some exceptions for liabilities for defined benefit pension plans and certain postemployment health care plans).[1]

Agency funds should be reported in the statement of fiduciary net assets. Their fund assets should equal fund liabilities. Agency funds do not have operations and should not be reported in the statement of changes in fiduciary net assets.

[1] There are some exceptions for liabilities of defined benefit pension plan and certain postemployment health care plans. Paragraph 26 of Statement 25 and paragraph 7 of Statement 26 provide guidance on recognition of these liabilities.

The statement of fiduciary net assets should include information about the assets, liabilities, and net assets for each fiduciary fund type and for similarly discretely presented component units of the reporting entity. The local government should provide details for all other fiduciary funds, or clearly indicate where the information is displayed.

The statement of changes in fiduciary net assets should include information about the additions to, deductions from, and net increase (or decrease) for the year in net assets for each fiduciary fund type and similar discretely presented component units. It should provide information about significant year-to-year changes in net assets. The local government should provide additional details about investments and provide the level of details for all other fiduciary funds or clearly indicate where the information is displayed.

3. Notes to the Financial Statements

Notes to the financial statements are essential to fair presentation of the basic financial statements. The notes include the summary of significant accounting policies and summary disclosure of such matters as significant contingent liabilities, encumbrances outstanding, significant effects of subsequent events, pension plans, accumulated unpaid employee benefits (such as vacation and sick leave), material violations of finance-related legal and contractual provisions, debt service requirements to maturity, commitments under noncapitalized leases, construction and other significant commitments, any excess of expenditures over appropriations in individual funds, deficit balances of individual funds, and interfund receivables and payables. Any other disclosures necessary in the circumstances should also be included.

The NCGA has discussed the notes to financial statements in more detail in its Interpretation 6, which also provides guidance for presenting notes in a logical order.

4. Required Supplementary Information

Statements, schedules, statistical data, and other information the GASB deem necessary is reported as required supplementary information (RSI). Except for the MD&A, required supplementary information, including the budgetary comparison information, should be presented immediately following the notes to the financial statements.

There are four types of RSI (other than MD&A) that must be presented:

- budgetary comparisons (for the general fund and other individual special revenue funds),[1]
- infrastructure condition and maintenance data (for local governments using the modified approach),
- pension trend data (for certain pension plans and participating employers),
- revenue and claims development trend data (for public-entity risk pools).

[1] The governments have an option to report the budgetary information in the basic financial statements.

Pursuant to RCW 43.09.230, Annual Reports are to be certified and filed with the State Auditor's Office within 150 days after the close of each fiscal year.

Mail your completed annual report package to:

Annual Report
State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031

The legal reporting requirements prescribed by the State Auditor's Office for local governments in Washington State are consistent with the national standards of financial reporting prescribed by the GASB. These requirements for Category 1 local governments are as follows:

1. Basic Financial Statements, including notes to financial statements – Chapters 2, 3, 4, 5 and 6.

2. Required Supplementary Information (including MD&A) – Chapter 7.

3. Supplemental Schedules – Chapter 8.

For the basic financial statements, the local government needs to prepare worksheets to summarize the general ledger trial balances, the resources and the expenditures/uses schedules at the required account level. Most of these worksheets do not need to be submitted as part of the annual report, but they must be available for audit.

The matrix on pages 8 and 9 identifies the statutory reporting requirements for Category 1 local governments.

The remaining chapters of this part give instructions for preparing each required statement and schedule.

If a local government elects to prepare the comprehensive annual financial report (CAFR), it will have to produce additional schedules and statements that are NOT described in the following chapters. However, the statements and schedules required for BARS reporting can be placed directly in the CAFR, and nearly all of the additional financial requirements of the CAFR are readily met by formally preparing the data used to satisfy BARS requirements. No duplication of effort is necessary to produce the CAFR from BARS reports.

Electronic Filing Instructions

Electronic reporting is encouraged when filing annual reports. Statements and schedules may be submitted on diskette or via e-mail.

File Layout: Schedules 04 and 05 should be formatted to include on each line MCAG number (4 digits as Text), Fund number (3 digits as Text), BARS account number (7 digits as Text), Description - optional (30 characters) and actual amounts (use a minus sign for Revenue debits and Expenditures credits). The remainder of the schedules should be formatted as described in the following chapters.

Acceptable Formats: Text file (ASCII Fixed Field or Delimited - Comma or Tab)
Excel 2.1 or higher
Other software should 'save as' or 'export' to a preferred format.

Acceptable Media: 3 ½diskette, Zip disk (no cartridges or tapes)

E-mail files and/or questions can be sent to walzd@sao.wa.gov or call Duane Walz at (360) 664-0906.

MCAG Numbers

The number should be recorded in the upper left-hand corner of all reports. The list of the MCAG numbers is provided in this section.

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
(These statements should be prepared in accordance with GASB and NCGA pronouncements)

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699
(D) Component Unit(s)

Government-Wide Financial Statement	(A) Governmental Funds	(B) Proprietary Funds: Enterprise Funds	(B) Proprietary Funds: Internal Service Funds	(C) Fiduciary Funds	(D) Component Units
Certification/Cover Sheet Checklist					
Statement of Net Assets:					
Governmental Activities	All	N/A[2]	If governmental funds are the predominant customer/ participant OR If enterprise funds are the predominant customer/ participant	N/A	Nonfiduciary component units reported in separate column(s)[1]
Business-Type Activities	N/A[2]	All		N/A	
Statement of Activities:					
Governmental Activities	All	N/A[2]	Often all	N/A	Separate columns/rows for nonfiduciary component units only[1]
Business-Type Activities	N/A[2]	All	In certain circumstances[3]	N/A	

[1] See Part 4, Chapter 2, Section A for reporting requirements for component units.

[2] Some governmental activities may be accounted for in enterprise funds (for example, some public transit operations), and some business-type activities may be accounted for in governmental funds.

[3] Part of internal service fund(s) net income or loss, if significant, should be allocated to business-type activities that purchased the good or services.

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
(These statements should be prepared in accordance with GASB and NCGA pronouncements)

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699
(D) Component Unit(s)

Fund Financial Statements	(A) Governmental Funds		(B) Proprietary Funds		(C) Fiduciary Funds	(D) Component Units
	General Fund	Other Governmental Funds	Enterprise Funds	Internal Service Funds		
Balance Sheet – Governmental Funds[1]	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Revenues, Expenditures, and Changes in Fund Balances	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Net Assets (or Balance Sheet) – Proprietary Funds	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Revenues, Expenses, and Changes in Fund Net Assets (or Fund Equity)	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Cash Flows	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, private purpose and agency fund	Fiduciary component units are included with the appropriate fund type
Statement of Changes in Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, and private purpose	Fiduciary component units are included with the appropriate fund type
Notes to Financial Statements	Prepared for reporting entity as a whole.					
Required Supplementary Information (RSI)	Prepared for reporting entity as a whole.					
After preparing the reports, the government will need to keep all worksheets on file and available for the auditor.						
If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in the report. This matrix does not detail these additional requirements.						
If your government assumes risk or self-insures, OR provides claims servicing or insurance coverage to others, please see Part 3, Chapter 12 for additional reporting requirements.						

[1] The Statement should not include: general capital assets and general long-term liabilities.

MATRIX OF STATUTORY REPORTING REQUIREMENTS: Additional Schedules Required by the State Auditor's Office

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699

Schedule No.	Schedule	(A) Governmental Fund Types	(B) Proprietary Funds	(C) Fiduciary Funds	
				Pension, Investment and Private-Purpose	Agency Funds
04	Detail Of Revenues And Other Resources	Prepare for each fund	Prepare for each fund	N/A	N/A
05	Detail Of Expenditures And Other Uses	Prepare for each fund	Prepare for each fund	N/A	N/A
07	Warrant Activity (Counties Only)	Prepare one schedule for entity as a whole. List all funds (including claims and payroll funds). Where applicable, include special purpose districts.			
08	Real and Personal Property Taxes (Counties Only)	Prepare one schedule for entity as a whole. Include all funds. Where applicable, special purpose districts for which tax was levied.			
09	Long-Term Debts (one schedule for entity as a whole)	Include all special assessment debt and any long-term debt accounted for within a fund	Include all revenue debt, capital leases, and debt of ULIDs and LFDs	N/A	Include all long-term debt of taxing districts for which the county accounts
10	Limitation of Indebtedness	Prepare one schedule for entity as a whole.			
11	Cash Activity (Counties Only)	Prepare one schedule for entity as a whole. List all funds (including claims and payroll funds). Where applicable, include special purpose districts.			
12	Investment Activity (Counties Only)	Prepare one schedule for entity as a whole. Include all funds. Where applicable, include special purpose districts.			
16	Expenditures of Federal Awards and State/Local Financial Assistance	Prepare separate schedules for federal and state/local grants. Include all grants.			
17	Annual Report on Public Works Projects	Prepare one schedule for entity as a whole.			
19	Labor Relations Consultant(s)	Prepare one schedule for each labor consultant.			

If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in your report. This matrix does not detail these additional requirements.

MCAG INDEX – COUNTIES

Adams	.....	0091
Asotin	.....	0093
Benton	.....	0095
Chelan	.....	0097
Clallam	.....	0099
Clark	.....	0103
Columbia	.....	0105
Cowlitz	.....	0107
Douglas	.....	0111
Ferry	.....	0113
Franklin	.....	0115
Garfield	.....	0117
Grant	.....	0119
Grays Harbor	.....	0121
Island	.....	0123
Jefferson	.....	0125
King	.....	0127
Kitsap	.....	0132
Kittitas	.....	0136
Klickitat	.....	0138
Lewis	.....	0140
Lincoln	.....	0142
Mason	.....	0144
Okanogan	.....	0146
Pacific	.....	0148
Pend Oreille	.....	0150
Pierce	.....	0152
San Juan	.....	0156
Skagit	.....	0158
Skamania	.....	0160
Snohomish	.....	0162
Spokane	.....	0166
Stevens	.....	0168
Thurston	.....	0170
Wahkiakum	.....	0172
Walla Walla	.....	0174
Whatcom	.....	0176
Whitman	.....	0179
Yakima	.....	0181

Aberdeen	.....	0331
Airway Heights	.....	0702
Albion	.....	0797
Algona	.....	0367
Almira	.....	0504
Anacortes	.....	0628
Arlington	.....	0654
Asotin	.....	0195
Auburn	.....	0369
Bainbridge Island	.....	0461
Battle Ground	.....	0238
Beaux Arts Village	.....	0372
Bellevue	.....	0374
Bellingham	.....	0776
Benton City	.....	0199
Bingen	.....	0477
Black Diamond	.....	0379
Blaine	.....	0780
Bonney Lake	.....	0567
Bothell	.....	0381
Bremerton	.....	0452
Brewster	.....	0523
Bridgeport	.....	0274
Brier	.....	0657
Buckley	.....	0570
Bucoda	.....	0746
Burien	.....	0801
Burlington	.....	0633
Camas	.....	0240
Carbonado	.....	0574
Carnation	.....	0384
Cashmere	.....	0214
Castle Rock	.....	0260
Cathlamet	.....	0764
Centralia	.....	0483
Chehalis	.....	0487
Chelan	.....	0218
Cheney	.....	0704
Chewelah	.....	0732
Clarkston	.....	0197
Cle Elum	.....	0463
Clyde Hill	.....	0386
Colfax	.....	0799
College Place	.....	0766
Colton	.....	0802
Colville	.....	0735
Conconully	.....	0525
Concrete	.....	0636
Connell	.....	0286
Cosmopolis	.....	0336
Coulee City	.....	0297
Coulee Dam	.....	0299
Coupeville	.....	0357
Covington	.....	1178
Creston	.....	0506
Cusick	.....	0556
Darrington	.....	0659
Davenport	.....	0508
Dayton	.....	0256
Deer Park	.....	0710
Des Moines	.....	0388
DuPont	.....	0576
Duvall	.....	0391
East Wenatchee	.....	0276
Eatonville	.....	0578
Edgewood	.....	1111
Edmonds	.....	0661
Electric City	.....	0302
Ellensburg	.....	0465
Elma	.....	0338
Elmer City	.....	0527
Endicott	.....	0804
Entiat	.....	0220
Enumclaw	.....	0393
Ephrata	.....	0304
Everett	.....	0664
Everson	.....	0784
Fairfield	.....	0712
Farmington	.....	0806
Federal Way	.....	0711
Ferndale	.....	0786
Fife	.....	0581
Fircrest	.....	0583
Forks	.....	0227
Friday Harbor	.....	0626
Garfield	.....	0808
George	.....	0306
Gig Harbor	.....	0587
Gold Bar	.....	0671
Goldendale	.....	0479
Grand Coulee	.....	0308
Grandview	.....	0831
Granger	.....	0834
Granite Falls	.....	0673
Hamilton	.....	0638
Harrah	.....	0836
Harrington	.....	0510
Hartline	.....	0312
Hatton	.....	0184
Hoquiam	.....	0340
Hunts Point	.....	0397
Ilwaco	.....	0547
Index	.....	0675
Ione	.....	0558
Issaquah	.....	0399
Kahlotus	.....	0288
Kalama	.....	0262
Kelso	.....	0264
Kennewick	.....	0201
Kent	.....	0401
Kettle Falls	.....	0738
Kirkland	.....	0406

Kittitas	.....	0471
Krupp	.....	0314
La Center	.....	0243
La Conner	.....	0640
LaCrosse	.....	0810
Lacey	.....	0748
Lake Forest Park	.....	0409
Lake Stevens	.....	0677
Lakewood	.....	1110
Lamont	.....	0812
Langley	.....	0359
Latah	.....	0714
Leavenworth	.....	0222
Liberty Lake	.....	2757
Lind	.....	0186
Long Beach	.....	0549
Longview	.....	0267
Lyman	.....	0642
Lynden	.....	0789
Lynnwood	.....	0679
Mabton	.....	0839
Malden	.....	0814
Mansfield	.....	0278
Maple Valley	.....	1177
Marcus	.....	0740
Marysville	.....	0682
Mattawa	.....	0316
McCleary	.....	0344
Medical Lake	.....	0716
Medina	.....	0411
Mercer Island	.....	0413
Mesa	.....	0290
Metaline	.....	0560
Metaline Falls	.....	0562
Mill Creek	.....	0497
Millwood	.....	0718
Milton	.....	0590
Monroe	.....	0685
Montesano	.....	0347
Morton	.....	0490
Moses Lake	.....	0318
Mossyrock	.....	0492
Mount Vernon	.....	0644
Mountlake Terrace	.....	0687
Moxee	.....	0840
Mukilteo	.....	0690
Naches	.....	0842
Napavine	.....	0494
Nespelem	.....	0529
Newcastle	.....	0488
Newport	.....	0564
Nooksack	.....	0791
Normandy Park	.....	0418
North Bend	.....	0421
North Bonneville	.....	0650
Northport	.....	0742
Oak Harbor	.....	0361
Oakesdale	.....	0816
Oakville	.....	0350
Ocean Shores	.....	0352
Odessa	.....	0512
Okanogan	.....	0531
Olympia	.....	0751
Omak	.....	0533
Oroville	.....	0535
Orting	.....	0594
Othello	.....	0188
Pacific	.....	0423
Palouse	.....	0818
Pasco	.....	0292
Pateros	.....	0537
Pe Ell	.....	0496
Pomeroy	.....	0295
Port Angeles	.....	0230
Port Orchard	.....	0455
Port Townsend	.....	0364
Poulsbo	.....	0458
Prescott	.....	0769
Prosser	.....	0205
Pullman	.....	0820
Puyallup	.....	0597
Quincy	.....	0321
Rainier	.....	0755
Raymond	.....	0552
Reardan	.....	0514
Redmond	.....	0425
Renton	.....	0428
Republic	.....	0284
Richland	.....	0207
Ridgefield	.....	0245
Ritzville	.....	0191
Riverside	.....	0539
Rock Island	.....	0280
Rockford	.....	0720
Rosalia	.....	0823
Roslyn	.....	0473
Roy	.....	0600
Royal City	.....	0323
Ruston	.....	0624
SeaTac	.....	0713
Seattle	.....	0433
Sedro-Woolley	.....	0647
Selah	.....	0844
Sequim	.....	0235
Shelton	.....	0520
Shoreline	.....	1015
Skykomish	.....	0443
Snohomish	.....	0692
Snoqualmie	.....	0445
Soap Lake	.....	0325
South Bend	.....	0554
South Cle Elum	.....	0475

South Prairie	.....	0602	Vader	.....	0500
Spangle	.....	0722	Vancouver	.....	0247
Spokane	.....	0724	Waitsburg	.....	0771
Sprague	.....	0516	Walla Walla	.....	0773
Springdale	.....	0744	Wapato	.....	0855
St. John	.....	0825	Warden	.....	0327
Stanwood	.....	0695	Washougal	.....	0251
Starbuck	.....	0258	Washtucna	.....	0193
Steilacoom	.....	0604	Waterville	.....	0282
Stevenson	.....	0652	Waverly	.....	0730
Sultan	.....	0698	Wenatchee	.....	0224
Sumas	.....	0793	West Richland	.....	0212
Sumner	.....	0606	Westport	.....	0355
Sunnyside	.....	0846	White Salmon	.....	0481
Tacoma	.....	0610	Wilbur	.....	0518
Tekoa	.....	0827	Wilkeson	.....	0622
Tenino	.....	0757	Wilson Creek	.....	0329
Tieton	.....	0849	Winlock	.....	0502
Toledo	.....	0498	Winthrop	.....	0545
Tonasket	.....	0541	Woodinville	.....	0822
Toppenish	.....	0851	Woodland	.....	0271
Tukwila	.....	0447	Woodway	.....	0700
Tumwater	.....	0759	Yacolt	.....	0254
Twisp	.....	0543	Yakima	.....	0857
Union Gap	.....	0853	Yarrow Point	.....	0450
Uniontown	.....	0829	Yelm	.....	0762
University Place	.....	1021	Zillah	.....	0861

BARS REPORTING REQUIREMENTS CHECKLIST

NOTE: This list is NOT the order in which to prepare these statements and schedules, but it is the order for presenting them in the annual report.

Page Number(s)	Statement Or Schedule	Yes	No	SEE Chapter
	Government-Wide Financial Statements:			
	Statement of Net Assets			2
	Statement of Activities			2
	Fund Financial Statements:			
	Balance Sheet – Governmental Funds			3
	Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds			3
	Statement of Net Assets (or Balance Sheet)-Proprietary Funds			3
	Statement of Revenues, Expenses, and Changes in Fund Net Asset (or Fund Equity)			3
	Statement of Cash Flows			5
	Statement of Fiduciary Net Assets			3
	Statement of Changes in Fiduciary Net Assets			3
	Notes to Financial Statements			6
	Required Supplementary Information (including MD&A)			7
	Schedules:			
	Schedule 04 Detail of Revenues and Other Resources:			8
	for General (Current Expense) Fund			
	for each Special Revenue Fund			
	for each Debt Service Fund			
	for each Capital Projects Fund			
	for each Permanent Fund			
	for each Enterprise Fund			
	for each Internal Service Fund			
	Schedule 05 Detail of Expenditures and Other Uses:			8
	for General (Current Expense) Fund			
	for each Special Revenue Fund			
	for each Debt Service Fund			
	for each Capital Projects Fund			
	for each Permanent Fund			
	for each Enterprise Fund			
	for each Internal Service Fund			
	Schedule 07 Warrant Activity (**Counties Only**) Did you include all funds of your government AND all other funds by fund/district type?			8

Page Number(s)	Statement Or Schedule		Yes	No	SEE Chapter
	Schedule 08	Real And Personal Property Taxes (**Counties Only**) Did you include all tax-levying funds of your government and all taxing districts?			8
	Schedule 09	Long-Term Debt General Obligation Debt Revenue Debt Assessment Debt Refunded Debt Special Purpose District Debt			8
	Schedule 10	Limitation of Indebtedness			8
	Schedule 11	Cash Activity (**Counties Only**) Did you include all funds of your government and all taxing districts?			8
	Schedule 12	Investment Activity (**Counties Only**) Did you include all funds of your government that had investments and all taxing districts with investment activity?			8
	Schedule 16	Expenditures of Federal Awards and State/Local Financial Assistance			8
	Schedule 17	Annual Report on Public Works Projects			8
	Schedule 19	Labor Relations Consultant(s)			8

NOTE: If your government assumes risk or self-insures, OR provides claims servicing or insurance coverage to others, please see Part 3, Chapter 12 for additional reporting requirements.

ANNUAL REPORT

_____
(Name)

_____
MCAG No.

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____ _____

Certified correct this _____ day of _____, _____

to the best of my knowledge and belief:

NAME_____

TITLE_____

PREPARED BY_____

TELEPHONE NUMBER_____

FAX NUMBER_____

E-MAIL ADDRESS_____

HOME PAGE ADDRESS_____

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
(These statements should be prepared in accordance with GASB and NCGA pronouncements)

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699
(D) Component Unit(s)

Government-Wide Financial Statement	(A) Governmental Funds	(B) Proprietary Funds: Enterprise Funds	(B) Proprietary Funds: Internal Service Funds	(C) Fiduciary Funds	(D) Component Units
Certification/Cover Sheet Checklist					
Statement of Net Assets:					
Governmental Activities	All	N/A[2]	If governmental funds are the predominant customer/ participant OR	N/A	Nonfiduciary component units reported in separate column(s)[1]
Business-Type Activities	N/A[2]	All	If enterprise funds are the predominant customer/ participant	N/A	
Statement of Activities:					
Governmental Activities	All	N/A[2]	Often all	N/A	Separate columns/rows for nonfiduciary component units only[1]
Business-Type Activities	N/A[2]	All	In certain circumstances[3]	N/A	

[1] See Part 4, Chapter 2, Section A for reporting requirements for component units.

[2] Some governmental activities may be accounted for in enterprise funds (for example, some public transit operations), and some business-type activities may be accounted for in governmental funds.

[3] Part of internal service fund(s) net income or loss, if significant, should be allocated to business-type activities that purchased the good or services.

Statements should always have a total column/row for the primary government. A total column for the government as a whole is permitted, but not required. If the business-type activities are immaterial, the government is not required to report them separately. In the statement of activities, the business-type activities may be combined within administrative or similar function or may be reported as a separate row.

The basic financial statements should include separate information for each major discretely presented component unit. This requirement can be met in one of three ways:

1. Include separate column for each major discretely presented component unit on the face of the statement of net assets (with a single aggregated column for nonmajor component units).

2. Within the basic financial statements, include a combining statement of net assets for major discretely presented component units (with a single aggregated column for nonmajor component units and a total column that supports the presentation on the face of the government-wide statement of net assets).

3. Include condensed financial statements for each major component unit in the notes to the financial statements.

Prior-year or comparative data may be presented in the government-wide statements but is not required.

The reports should follow the basic format in non-authoritative illustration presented in the GASB Statement 34 and the Governmental Accounting, Auditing, and Financial Reporting issued by Government Finance Officers Association. The management's discussion and analysis should appear before the government-wide financial statements (statement of net assets and statement of activities), fund financial statements including notes to the financial statements and the required supplementary information.

The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting.

The local government should consider materiality before applying any of the reporting requirements.

The governments have two format options to present net assets.

1. **Net Assets** format: Assets – Liabilities = Net Assets

2. **Balance Sheet** format: Assets = Liabilities + Net Assets

The statement of net assets requires to distinguish between the governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchangeable revenues. Governmental activities are usually reported in the governmental fund types and internal service funds in the funds financial statements. Examples include police, election, fire prevention services, etc.

Business-type activities are financed in whole or in part by fees charged to the users of the services. They are reported in the enterprise funds in the funds financial statements. Example includes utility operations.

If the government has immaterial business-type activities, it is not required to separate them on the face of financial statements. They may be reported in the governmental activities column.

Internal service funds are generally reported in the governmental activities column, but they may also be reported in the business-type columns if the predominant users of these funds are enterprise funds. Some interfund balances are to be eliminated. See Chapter 3, Section F, *Eliminations*.

Assets

Assets should be presented either in order of their relative liquidity or in the classified format. Liquidity describes how readily an asset can be converted into cash. Liquidity may also depend on whether there are restrictions limiting the use of those resources. Restricted assets should be also analyzed in terms of their liquidity and placed accordingly in the financial statement.

The statement's lines are not specifically defined and the governments should use their own judgment regarding what level of detail they want to present in the financial reports (e.g., capital assets may be one line item or have separate lines for land, buildings, infrastructure, etc.). The government should list separately any assets with significant balances.

For more details about certain assets see the following sections in this chapter:

- Internal Balances - Section F
- Capital Assets - Section D
- Inventories - Section D
- Infrastructure - Section E.

Liabilities

Liabilities should be presented in order of their relative liquidity, which is based on their maturity, or when cash will be used to liquidate them. The liabilities whose average maturities are greater than one year should be reported in two components:

(1) the amount due within one year, and
(2) the amount due in more than one year.

The face of the financial statements should contain a summary of liabilities information and the details about their changes should be provided in the notes. This requirement applies not only to bonded debt but also operating liabilities like compensated absences, claims and judgments. Their portions "due within one year" need to be reasonably estimated.

The governmental activities' liabilities will consist of:

1. **Current liabilities**. They equal liabilities reported in the governmental funds financial statements. They may also include some liabilities from the enterprise fund(s), if the activity accounted for in this fund is presented as a governmental type in the statement of net assets.

2. **General long-term liabilities**. This amount should equal the unmatured portion of liabilities not reported in governmental funds. The liabilities should include: general obligation debt, capital leases, special assessments, compensated absences, claims, judgments, landfill closure and postclosure care costs, certain pension related debts and postemployment benefits, etc.

3. **Liabilities reported in the internal service funds**. (Unless these activities are presented in the business-type activities column.)

There is no change in presentation of liabilities for business-type activities since both the enterprise funds and government-wide financial statements are prepared using full-accrual basis of accounting.

Net Assets

For information about net assets see Section G in this chapter.

SAMPLE CITY
Statement of Net Assets
December 31, 2002
(in thousands)

	Primary Government			Component Units
	Governmental Activities	**Business-type Activities**	**Total**	
ASSETS				
Cash and Cash Equivalents	4,763	10,407	15,170	
Investments	8,760	-	8,760	
Receivables (Net)	7,363	3,005	10,368	
Internal Balances	(2,620)	2,620	-	
Inventories	-	119	119	
Prepaids	10	-	10	
Deferred Charges	-	46	46	
Restricted Assets	51	3,997	4,048	
Capital Assets (Net of Accumulated Depreciation):				
Land	6,322	2,300	8,622	
Buildings	7,551	45	7,596	
Improvements Other Than Buildings	713	46,992	47,705	
Machinery and Equipment	2,007	774	2,781	
Infrastructure	33	-	33	
Construction in Progress	5,004	472	5,476	
Other Capital Assets	166	-	166	
Total Capital Assets	21,796	50,583	72,379	
TOTAL ASSETS	40,123	70,777	110,900	
LIABILITIES				
Accounts Payable	1,561	650	2,221	
Other Current Liabilities	191	29	220	
Accrued Expenses	-	18	18	
Due to Primary Government	-	-	-	
Deferred Revenue	85	(52)	33	
Liabilities Payable from Restricted Assets				
Noncurrent Liabilities:				
Due within One Year	1,580	1,039	2,619	
Due in more than One Year	6,031	7,306	13,337	
TOTAL LIABILITIES	9,448	8,990	18,438	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	14,203	42,239	56,442	
Restricted for:				
Capital Projects	458	-	458	
Debt Service	-	-	-	
Unrestricted (Deficit)	16,014	19,548	35,562	
Total Net Assets	30,675	61,787	92,462	

EXAMPLE

The notes to the financial statements are an integral pat of this statement.

The statement of activities distinguishes between governmental and business-type activities. Eliminations are required between and within the fund/programs of the primary government, (see Part 4, Chapter 2, Section F, *Eliminations*). There are no eliminating entries between the primary government and the discretely presented component unit. These transactions are considered external ones and the receivables/payables between them should be reported as a separate line item.

Internal service funds are not reported on the statement of activities unless they provide goods or services to entities outside the primary government. See Part 4, Chapter 3, Section F, *Internal Service Funds*.

Sample City

Statement of Activities
Year Ended December 31, 2002
(in thousands)

Functions/Programs	Expenses	Optional Column: Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
PRIMARY GOVERNMENT:									
Governmental Activities:									
General Government	1862		283			(1,579)		(1,579)	
Judicial									
Public Safety	7,399		247	539	27	(6,586)		(6,586)	
Physical Environment	1,941		111	28		(1,802)		(1,802)	
Transportation	4,950		869	446	4,047	462		462	
Health and Human Services	5					(5)		(5)	
Economic Environment	756		747		8	(1)		(1)	
Culture and Recreation	2,608		638	31	30	(1,909)		(1,909)	
Interest on Long-Term Debt	428					(428)		(428)	
TOTAL GOVERNMENTAL ACTIVITIES	19,949		2,895	1,044	4,162	(11,848)		(11,848)	
Business-Type Activities:									
Utilities	10,349		12,586		1,431		3,669		
TOTAL BUSINESS-TYPE ACTIVITIES	10,349		12,586		1,431		3,669	3,669	
Total Primary Government	30,297		15,487	1,044	5,539	(11,848)	3,669	8,179	
COMPONENT UNITS:									
Total Component Units									

General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes	5,224		5,224	
Property Taxes, Levied for_____				
Sales and Use Taxes	4,649		4,649	
Business and Occupation Taxes	3,621		3,621	
Excise Taxes	769		769	
Penalties and Interest	5		5	
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings	1,247	1,127	2,374	
Miscellaneous	1,271	231	1,502	
Endowments and Permanent Fund Contributions				
Extraordinary Item				
Special Item - Gain on Sale of Capital Asset				
Transfers	(50)	50	-	
Total General Revenues, Extraordinary, Special Items, and Transfers	16,736	1,408	18,144	
Change in Net Assets	4,888	5,077	9,965	
Net Assets-Beginning	25,786	56,710	82,496	
Net Assets-Ending	30,674	61,787	92,461	

The notes to financial statements are an integral part of this statement.

EXAMPLE

Expenses/Functions

At a minimum, the statement of activities should present activities accounted for in governmental funds by function. A function is defined as a group of activities aimed at accomplishing a major service or regulatory responsibility (e.g., general government, public safety, etc.). All functions of a government have expenses. Some functions generate revenues.

The activities accounted for in the enterprise funds should be presented by different identifiable activities. The activity is identifiable if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately.[1]

The government should be careful in determining what level of details it will present in the statement of activities. Programs may be presented for all or some functions. The statement, when too detailed, may be overwhelming for its users. The same level of detail is not required for each function.

Report all expenses by function except for the special or extraordinary items and transfers. At least, the governments should report direct expenses for each function. Direct expenses are those that are "specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function."

All expenses reported in the enterprise fund financial statements (except special and extraordinary items) should be reported in the business-type activities function as direct expenses for that function.

Indirect functions, such as general government, support services or administration should report expenses, which are indirect for other functions as their own direct expenses. However, local governments may allocate some or all indirect expenses to other functions. If governments choose to allocate some or all indirect cost, those expenses have to be reported in a separate column in the statement of activities. A total column of direct and indirect cost is optional.

Depreciation Expense

For reporting the depreciation expense related to capital assets and infrastructure see this chapter, Sections D and E, respectively.

Interest Expense

The interest on general long-term debt should be reported as a separate function. The interest should include interest on bonds and notes, capital leases and other vendor financing arrangements, claims and judgments, pension related debts and employer net pension obligations.

In extreme situations, when the borrowing is essential to the creation or continuation of the program and omitting interest expenses would be misleading (e.g., loan programs, etc.), the interest on general long-term debt can be reported as a direct expense. In that case the line should be clearly labeled to indicate that not all interest is reported here.

Interest expenses in the enterprise fund financial statements should be reported as direct expenses for those functions.

Section C of this chapter provides a table showing BARS account codes and related functions. The local government may use this matrix for the preparation of the statement of activities. Some governments may not perform all listed functions.

[1] Determining whether an activity is different may require the use of professional judgment.

Revenues

Revenues are reported as either program revenues or general revenues.

Program revenues are generated directly by the program itself. Non-exchange revenues (except taxes) are *program* revenues if restricted to a specific program(s) or if unrestricted, should be reported as *general revenue*. Taxes are always *general revenues* even if restricted to a specific program. Revenues from the government itself are usually *general revenues* (e.g., revenues from investments).

Program Revenues

Program revenues reduce the expenses of the function/program, which generates them, and show the net cost of the function/program to be financed by the general revenues. They should not be allocated to multiple functions (there may be an exception for grants that are restricted to several programs).

Program revenues include charges for services and program-specific operating and capital grants and contributions.

Charges for services are to customers who purchase, use, or directly benefit from the goods, services, or benefits. The charges generally result from exchange or exchange/like transactions. They include fees for services, licenses, permits, fines, forfeitures, special operating assessments, and charges for interfund services, etc. Charges for services should be reported net of any uncollectible amounts.

Charges for services are program revenues of a function/program that assess the charge even if the money is required to be spent on a different function/program.

Operating revenues reported in the enterprise fund financial statement should be reported as charges for services of business-type activities. Nonoperating revenues with the exception for taxes and investment income should be also reported as program revenues.

Program-specific grants and contributions (both operating and capital) arise from transactions with other governments, organizations, or individuals that restrict the use of resources for particular purposes. They may be either mandatory or voluntary nonexchange transactions. The restrictions indicate the function/program where they should be reported. (Attention: not all grants and contributions are program revenues.)

The operating grants and contributions are used to finance operations of specific function/program and should be reported separately from capital grants and contributions.

Capital grants and contributions are restricted to purchasing, constructing, or renovating capital assets associated with a specific function/program.

Unrestricted grants and contributions should be reported as general revenues.

Earnings on endowments or permanent fund investments should be reported as program revenues if restricted to a program or programs specifically identified in the endowment or permanent fund agreement or contract. Also, earnings on investments not held by permanent funds may be legally restricted to specific functions or programs. Those earnings should be reported as program revenues.

General Revenues

General revenues include all revenues and gains that do not meet the definition of program revenues. The one exception is that *taxes (including taxes levied for very specific purposes) should always be reported as general revenues*. Taxes should be reported by type of tax (sales, property, etc). General revenues also include gains from routine selling or disposing of capital assets. General revenues are reported in the statement of activities after the total net expense of the government's functions.

All general revenues, including taxes, should be reported net of estimated refunds and uncollectible amounts.

Shared revenues and entitlements should be reported in the same way as grants and contributions.

Special assessments revenues should be reported as program revenues either as charges for services (operating special assessments) or as program-specific capital grants/contributions (capital special assessments).

Investment income (including realized and unrealized gains and losses) should be reported as general revenues. There may be exceptions if there are some specific restrictions placed on it (e.g., legal restrictions in permanent funds investments or restrictions on earnings on grants, etc.).

Investment income reported in the enterprise fund financial statements should be reported as general revenues in the business-type activities column in the statement of activities (unless the investment originated from grants or contributions).

In Chapter 2, Section C a matrix of BARS account codes related to revenues and functions has been provided. This matrix designates each BARS code as a program or general revenue.

Net Program (Expense) Revenue

Separate columns should be used to identify net program (expense) revenue for each function/program category of governmental activities and business-type activities and for discretely presented component units.

Endowment and Permanent Fund Contributions

Contributions to term and permanent endowments and permanent fund principal should be reported in a separate category after general revenues. They cannot be used to finance any function/program so cannot be reported as a reduction of functional expenses.

Extraordinary and Special Items

Extraordinary and special items should be reported in a separate category after general revenues and endowment and permanent fund contributions.

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. They are also not within control of management (e.g., environmental or natural disasters, etc.). However, transactions which are unusual and infrequent but within control of management should be also reported as extraordinary items.

Special items are significant transactions or other events within control of management that are either unusual in nature or infrequent in occurrence (e.g., sales of certain governmental capital assets, early retirement program, significant forgiveness of debt, etc.). Transactions or other events that are either unusual or infrequent but not within control of management should be disclosed in the notes to financial statements.

Before classifying a transaction or an event, as extraordinary or special, government should assess its materiality and significance in the context of financial statements in which it would be presented. Something that is significant or material in the fund financial statements may not be significant or material in the government-wide statements.

Transfers

Transfers within the governmental or business-type activities are eliminated. The net amount transferred between the two types of activities should be reported as a single line after special items.

Also interfund payments in lieu of taxes (PILOTs), that are not payments for services (or are not a reasonable equivalent of the value of these services) should be reported as transfers.

The following matrix identifies each BARS revenue account as a program or general revenue column. Also it indicates the specific expenditure function the revenue is generated by. The governments may use it as a guide for the preparation of their statement of activities. The expenditures function is the minimum level of detail required. Governments can choose to report at a lower level (program). Governments should consider materiality when determining what functions they present on their government-wide statement of activities.

BARS Revenue Code	BARS Title	REVENUE		Expenditure Function
		Program	General	
310 (exclude 317.70)	Taxes		X	
317.70	Operating Assessment	X		Varies
all 321s	Business Licenses and Permits	X		General Government
322.10	Buildings, Structures and Equipment	X		Economic Environment
322.20	Marriage Licenses	X		General Government
322.30	Animal Licenses	X		Physical Environment
322.40	Street and Curb Permits	X		Transportation
322.80	Penalties on Non-Business Licenses	X		General Government
322.90	Other Non-Business Licenses and Permits	X		General Government
330s (exclude 336s)	Intergovernmental Revenues	X[1]		
336s	State Entitlements, Impact Fees, In-Lieu Taxes	X	X	
all 341s	General Governments	X		General Government
341.20(exclude .21)	Filing and Recording Services	X		Judicial
341.21	Auditor's Filings and Recordings	X		General Government
341.30 (exclude .35, .36, .38)	Records Services	X		Judicial
341.35	Other Statutory Certifying and Copy Fees	X		General Government
341.36	Auditor's Centennial Documents Preservation	X		General Government
341.38	Records Search by County Auditors	X		General Government
341.40	Financial Services	X		General Government
341.50	Sales of Maps and Publications	X		General Government
341.60 (exclude .62 and .65)	Word Processing, Print, and Duplication Services	X		General Government
341.62	Municipal/District Court	X		Judicial
341.65	Superior Court-Word Processing and Transcripts	X		Judicial
341.70	Sales of Merchandise	X		General Government
341.80	Data Processing Services	X		General Government
341.90	Other General Government Services	X		General Government
all 342s	Security of Persons and Property	X		Public Safety
343.10	Natural Resource Conservation and Control	X		Physical Environment
343.20	Facility Engineering Services	X		Physical Environment
344	Transportation	X		Transportation
345	Economic Environment	X		Economic Environment
346 (exclude 346.80)	Mental and Physical Health	X		Health and Human Services
346.80	Coroner's Fees	X		Public Safety
all 347s	Culture and Recreation	X		Culture and Recreation
350 (exclude 359)	Fines and Forfeitures	X		Judicial (unless do not have, then Public Safety)
359	Non-Court Fines, Forfeitures and Penalties	X		General Government
all 360s	Miscellaneous Revenues	X		Varies

[1] Grants are considered program revenues in all cases unless they are unrestricted. In that case, they are classified as general revenues.

The following matrix ties each BARS expenditure account to the appropriate function. The governments may use it as a guide for the preparation of their statement of activities. The expenditures function is the minimum level of detail required. Governments can choose to report at a lower level (program) if needed. Governments should consider materiality when determining what functions they will present on their government-wide statement of activities.

BARS Expenditure Account		Function
511	Legislative	General Government
512	Judicial	Judicial
513	Executive	General Government
514	Financial Services	General Government
515	Legal	General Government
516	Personnel	General Government
517	Employee Benefit Programs	General Government
518	Central Services	General Government
519	Other General Government Services	General Government
521	Law Enforcement	Public Safety
522	Fire Control	Public Safety
523	Detention/Correction	Public Safety
524	Protective Inspections	Public Safety
525	Emergency Services	Public Safety
526	Ambulance, Rescue and Emergency Aid	Public Safety
527	Juvenile Services	Public Safety
528	Communication, Alarms, Dispatch	Public Safety
531	Natural Resources	Physical Environment
532	Facility Engineering	Physical Environment
533	Electric and Gas Utilities	Utilities
534	Water Utilities	Utilities
535	Sewer Utilities	Utilities
536	Cemetery	Utilities
537	Garbage and Solid Waste	Utilities
538	Other Utilities and Business-Type Activities	Utilities
539.10, .20, .40, .50, .90	Other Environmental Services	Physical Environment
539.30	Animal Control	Physical Environment
541	Road and Street Preservation	Transportation
542	Road and Street Maintenance	Transportation
543	Road and Street General Administration and Overhead	Transportation
544	Road and Street Operations	Transportation
545	Road and Street Extraordinary Operations	Transportation
546	Airports, Ports and Terminals	Transportation
547	Transit Systems/Railroads	Transportation
548	Municipal Vehicles and Public Works Equipment	General Government
551	Welfare	Health and Human Services
552	Employment Opportunity and Development	Health and Human Services
553	Veterans Services	Health and Human Services
554	Child Care Services	Health and Human Services
555	Aging	Health and Human Services
556	Services For Disabled	Health and Human Services
557	Community Services	Economic Environment
558	Planning and Community Development	Economic Environment
559	Housing	Economic Environment
561	Hospitals, Convalescent Centers	Health and Human Services
562	Public Health	Health and Human Services
563	Coroner	Public Safety
564	Mental Health	Health and Human Services
566	Substance Abuse	Health and Human Services
568	Developmental Disabilities	Health and Human Services
571	Education	Culture and Recreation
572	Libraries	Culture and Recreation
573	Spectator and Community Events	Culture and Recreation
574	Participant Recreation	Culture and Recreation
575	Cultural and Recreational Facilities	Culture and Recreation
576	Park Facilities	Culture and Recreation

Capital assets are tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Examples of capital assets are:

- Land and improvements to land (includes right-of-way and easements),
- Buildings and building improvements,
- Parking lots[1],
- Vehicles,
- Machinery and equipment,
- Works or art and historical treasures,
- Infrastructure assets, and
- All other tangible or intangible assets that are used in operations.

Land costs typically include:

- the purchase price,
- closing costs, such as title to the land, attorney's fees, and recording fees,
- assumption of any liens, mortgages, or encumbrances on the property,
- costs incurred in getting the land in condition for its intended use, such as excavation, grading, filling, draining, clearing; removal, relocation or reconstruction of property of others (e.g., railroads, phone and power lines); retaining walls, parking lots[2], fencing, and landscaping,
- any additional land improvements.

Any proceeds obtained in the process of getting the land ready for its intended use, such as salvage receipts on the demolition of an old building or the sale of cleared timber, are treated as a reduction in the price of the land.

Governments may use different capitalization policies for different type of assets and different thresholds for compliance with different laws and regulations. The capitalization policy should be disclosed in the notes to the financial statements.

To report capital assets, governments need to divide assets into two categories:

- Assets that are depreciated (they become worn out or obsolete when used up),
- Assets that are not depreciated (inexhaustible or infrastructure using the modified approach). Inexhaustible capital assets are defined as one whose economic benefit or service potential is not used up or is used up so slowly that its estimated useful life is extraordinarily long (e.g., land, certain land improvements, certain infrastructure, construction in progress, etc.).

If the government has a significant amount of nondepreciable capital assets, it should report them in the statement of net assets separately.

[1] Parking lots may be considered either infrastructure or land improvement, depending on whether they are incidental to the building. However, there is no difference between both approaches if the government depreciates infrastructure. In both cases a parking lot would be capitalized and depreciated.
[2] See footnote 1.

Valuation and Presentation

All assets should be reported at historical cost. Historical cost is the amount of resources spent to purchase or construct capital assets. It includes all costs necessary to put asset in its intended location or condition for use.

Donated assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Fair value is the amount the asset could be exchanged for in a current transaction of willing parties. The value may be estimated using reliable information sources like manufacturers' catalogs, price quotas in periodicals, etc. Professional assistance is not necessary.

Since governments are required to capitalize these assets at their historical cost it may be necessary to estimate that amount. One method of estimating the historical cost is to determine the current replacement cost and deflating it back to the date the asset was obtained. Deflation tables are provided by the State Auditor's Office.

The depreciable capital assets should be reported net of accumulated depreciation. Accumulated depreciation equals total of all amounts of depreciation expenses in statements of activities (from the time when capital asset was acquired). Accumulated depreciation may be netted against capital assets or reported a separate line on the face of financial statements or in parentheses. Regardless of method of presentation it has to be disclosed in the notes to the financial statements.

Depreciation should be also reported in the statement of activities. Governments can use any systematic and rational depreciation method. Depreciation expense for capital assets that can be specifically identified with a function should be included in the direct expenses of that function. Depreciation expense for shared capital assets should be allocated to the functions sharing the assets.

If a capital asset (e.g., city hall, etc.) serves essentially all functions and is not practical to allocate the depreciation to all these functions, that expense should be reported in a separate line or as part of the expenses of general government function. If a government chooses a separate line, it should clearly indicate that this line excludes the direct depreciation reported in the specific functions.

Depreciation may be also allocated through a separate indirect expense column.

Depreciation does not have to be calculated for each asset. Depreciation can be calculated by class of assets, network of assets, subsystem of network, and by individual asset. See Chapter 2, Section E, *Infrastructure* for definitions of networks and subsystems.

Capital Assets of Governmental Activities

Capital assets of governmental activities consist of: general capital assets, infrastructure, and internal service fund capital assets.

Capital assets of internal service funds should be generally reported as capital assets of the governmental activities unless the internal service fund is reported in the business-type activities column.

General capital assets are capital assets of the government that are not specifically related to activities in proprietary or fiduciary funds. They are associated with governmental activities and financed by the resources of governmental funds.

Works of Art and Historical Treasures

Works of art, historical treasures, and similar assets are considered to be capital assets and as such they should be capitalized at their historical cost or fair market value at date of donation. The exhaustible assets should be depreciated over their estimated useful lives. Governments should not report depreciation for collections or items that are inexhaustible (i.e., the individual works of art or historical treasures that have extraordinarily long useful lives). Distinctions of exhaustible and inexhaustible items or collections, or their useful lives need to be made by each government. Depreciation is not required for inexhaustible items or collections.

Collections, which meet the following requirements, are not capitalized or depreciated:

1. They are held for public exhibition, education, or research in furtherance of public service rather than financial gain;
2. They are protected, kept unencumbered, cared for, and preserved; and
3. They are subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

Governments should disclose information about their works of art and historical collections.

Governments are required to report all of their capital assets in the statement of net assets. Infrastructure assets are a subset of capital assets and should be reported as part of capital assets.

Infrastructure assets are distinguished from other capital assets because they normally:

(a) can be maintained in a condition that will allow them to be used longer than most other capital assets, and
(b) are stationary in nature.

Examples of infrastructure assets are bridges, roads, water, sewer systems, tunnels, etc. Buildings are generally not infrastructure unless they are ancillary part of a network of infrastructure assets.

The ownership of infrastructure assets is not always clear. GASB indicates that governments that have the primary responsibility for managing an infrastructure asset should report it. For example, if the county constructed and financed a road, but the road is maintained by the city, that city would be considered the owner for reporting purposes.

The government should report not only infrastructure acquired in year 2002 (and forward), but also infrastructure dating back to 1980. (See the following discussion about retrospective reporting.)

Reporting Major Infrastructure Assets and Their Cost at Transition

Major general infrastructure assets are those acquired, significantly reconstructed, or that received significant improvements in fiscal years ending after June 30, 1980.

To determine whether a government has major general infrastructure assets, the government needs to apply a capitalization threshold test. This test is applied to networks and subsystems, as defined on the next page.

The capitalization threshold test is applied to the total cost of all general capital assets (excluding unrecorded infrastructure assets) for the fiscal year 1999. The total cost of all general capital assets is the amount reported as general capital assets in the general fixed assets account group in the combined balance sheet for its fiscal year ended December 31, 1999. This amount, for purposes of the test, should not include any previously unrecorded infrastructure, proprietary or fiduciary assets. The capitalization threshold for networks is ten percent and for subsystems five percent of general capital assets reported in the fiscal year 1999.

Governments are not required to divide its networks into subsystems when applying the capitalization threshold test. If they choose not to divide the networks into subsystems, the threshold is only applied to the networks.
Also, the categorization into networks and subsystems of networks is not necessary for reporting purposes.

Infrastructure assets should be reported in the statement of net assets at the historical cost (if purchased or constructed) or estimated fair value (if donated). If historical cost is not available, estimated historical cost can be used. Any reasonable method of determining historical cost can be used but needs to be documented. Some sources of obtaining information regarding historical cost may be minutes from the legislative meetings, bond or engineering documents, expenditures from capital project funds, or capital budgets.

The government is allowed to deflate current replacement cost to calculate estimated historical cost. If historical costs are not available, the State Auditor's Office provides a supplement with estimated historical cost information including inflators/deflators. These estimated costs are based on a study performed in 1987 at the request of the Washington State Legislature whereby per unit costs were developed by counties and cities and agreed upon. Estimated per unit costs are available for the majority of the infrastructure categories (roads, bridges, signs, etc.).

Land associated with infrastructure should be reported separately as "land" and its cost should not be included in the cost of infrastructure. Also, right-of-way and easements should be included in land costs.

Infrastructure Asset Classification

Governments must define what they consider infrastructure assets for purpose of meeting capitalization thresholds, establishing a useful life and calculating depreciation.

The general infrastructure assets can be classified as networks or subsystems of networks.

A network of assets is composed of assets that provide a particular type of service for the government. A network may be only one infrastructure asset composed of many components (e.g., dam composed of a concrete dam, concrete spillway, and series of locks, etc.).

A subsystem of a network is composed of all assets that make up a similar portion or segment of a network of assets (e.g., roads would be considered a network, and the interstate highways, state highways, rural roads, would each be a subsystem of the network, or a network of a sewer system with the catch basins, storm drains, and inlets each a subsystem of the network).

Networks or subsystems of networks may also be made up of dissimilar assets.

The following categories of infrastructure assets are suggested for accounting or reporting purposes. The governments may use additional categories.

- Roads: The road category includes curbs, gutters, ditches, related storm drainage facilities, railroad crossings, retaining walls that are less than four feet high, and culverts less than four feet in diameter. Retaining walls four feet or larger, and culverts four feet or larger are included in bridges and structures category. For purpose of determining value, the roads are further divided into the following subcategories based on surface type:

    1. Unpaved – Dirt and Gravel
    2. Bituminous Surface Treatment (BST) – estimated useful life of 7 years
    3. Asphalt Concrete Pavement (ACP) – estimated useful life of 25 years
    4. Portland Cement Concrete Pavement (PCCP) – estimated useful life of 40 years

- Signs, Signals, and Illumination Signs – estimated useful life of 7-10 years,
- Landscaping and Vegetation[1],
- Drainage Systems – include drainage facilities that are not part of road systems, such as regional retention ponds, etc.,
- Sidewalks – include both sidewalks and pedestrian walkways that function as or take the place of sidewalks, whether abutting the road or separated from it,
- Bridges and Structures – Bridges are defined as being 20 feet in length or longer and used by public vehicles, four-wheeled traffic. Structures include shorter facilities that function as bridges, culverts four feet or larger, retaining walls four feet or higher, and docks. Estimated useful life of bridges and structures is 25-40 years.
- Tunnels,
- Trails, Paths, and Bicycle Paths (may be included as part of a road category if not separate from the roadway),
- Coastal and Riverine Structure: except dikes and levees, which have a separate category,
- Dikes and Levees,
- Parking Lots[2].

[1] Landscaping and vegetation costs are consider infrastructure if the costs are incidental to the construction of the related infrastructure. Often this is evident by reviewing the project's budget and determining if the initial project cost included landscaping and vegetation. Otherwise they may be considered land improvements.

[2] Parking lots may be considered either infrastructure or land improvements, depending on whether they are incidental to the building. However, there is no difference between both approaches if the government depreciates infrastructure. In both cases, a parking lot would be capitalized and depreciated.

Depreciation

Infrastructure assets that are being or have been depreciated should be reported net of accumulated depreciation in the statement of net assets. Accumulated depreciation may be reported on the face of the financial statements or disclosed in the notes to financial statements. The accumulated depreciation does not have to be retroactively calculated for inexhaustible assets or assets reported using the modified approach.

The modified approach has been created to allow governments the option of not depreciating infrastructure. However, there are certain requirements government must meet when using that method.

Before choosing either the depreciation approach or the modified approach for infrastructure, a government should carefully assess the pros and cons of each method when making a decision. Either method is acceptable and governments may use the depreciation approach for one class of infrastructure and the modified approach for another. They may also start with the depreciation and convert to the modified approach later.

For governments that do not currently have an asset management system, which is required under the modified approach, it may be easier to calculate the depreciation expense. Since the composite method of depreciation is acceptable, this approach may reduce the time and cost of calculation.

Depreciation Approach

Using this approach, calculate the depreciation expense the same way as for any other assets. The historical cost (or fair market value for the assets donated) should include the ancillary cost. This amount may be decreased by the salvage or residual value. Often infrastructure assets will not have a salvage or residual value because of the cost of demolition or removal of those assets at the end of their useful lives, so the calculation will be limited to the historical cost or the fair market value only.

The composite method may also be used to calculate depreciation. This method refers to calculating depreciation for a collection of similar assets or dissimilar assets of the same class using composite depreciation rate.

The depreciation expense of general infrastructure assets should not be allocated to different functions. It should be reported as a direct expense of the function that the government normally associates with capital outlays (e.g., public works, transportation, etc.). Also, the government has an option to report the depreciation expense as a separate line on the statement of activities. If a government choose this option, it should clearly indicate that this line excludes direct depreciation expenses reported in other functions/programs.

Under this approach, governments capitalize expenditures made for additions, improvements, and also preservation costs which extend the life of the capital assets. The maintenance cost is expensed in the period incurred.

Modified Approach

Governments are allowed to report infrastructure assets using the modified approach, provided certain requirements are met. The modified approach may be used for both the general and enterprise fund infrastructure assets. The government may use the modified approach for all of its infrastructure assets or only a portion of its infrastructure assets either at the network or subsystem level.

There are two requirements for using the modified approach:

- the government must maintain the eligible infrastructure assets using an asset management system (requirements below), and

- there must be documentation that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government.

Under this approach only expenditures for additions and improvements to eligible infrastructure assets should be capitalized on the statement of net assets. The maintenance and preservation cost (preservation extends the useful life of an asset beyond the originally estimated, but does not increase its capacity or efficiency) of eligible infrastructure is expensed.

Depreciation is not calculated and reported for the eligible infrastructure assets using modified approach.

An asset management system must possess the following minimum features:

1. Have an up-to-date inventory of eligible infrastructure assets,
2. Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale,
3. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed in the financial statements.

For more details see Part 3, Chapter 7, *Capital Assets and Internal Service Fund*.

In effort to report information about the overall government without displaying individual funds, the governments should eliminate interfund activities and balances to avoid inappropriate "grossing-up" effect. This section describes the necessary eliminations.

Transactions between the primary government and discretely presented component units should be treated as if the primary government and the component units are unrelated third parties. No elimination should be made for these transactions in the primary government columns, the discretely presented component unit(s), or total (if presented). Payables and receivables between the primary government and discretely presented component units or between component units should be reported in separate lines in the statement of net assets.

Transactions between the primary government and blended component units should be reclassified or eliminated in the same way as internal activities and balances within the primary government. The eliminations and/or reclassifications will prevent the government from double counting.

First, transactions should be eliminated within the governmental activities column and business-type activities column and then separately in the primary government column (for the balances between the governmental and business-type activities).

The elimination column in the statements is not necessary. The **internal balances** can be reported in a single line in both governmental and business-type activities. One of them will be negative and they should add up to zero.

Statement of Net Assets

To complete the statement of net assets perform the following eliminations:

1. Eliminate interfund receivables and payables between funds reported in the governmental activities column. Include internal service funds unless they are reported in the business-type activities column. Add the amounts together; receivables should equal payables.

2. Eliminate interfund receivables and payables between funds reported in the business-type activities column. Include internal service funds unless they are reported in the governmental activities column. Add the amounts together; receivables should equal payables.

3. Eliminate interfund receivables and payables between the governmental and business-type activities from the primary government column. Internal payables should equal internal receivables.

4. Move (reclassify) amounts due from or to fiduciary funds to an external receivable or payable.

Statement of Activities

The following internal or interfund activities should be analyzed for the elimination/reclassification in the statement of activities:

1. Internal service fund – for details see Part 4, Chapter 3, Section F, *Internal Service Funds*.

2. Interfund activity similar to internal service fund charges – when a fund different than internal service (e.g., general) provides services to other funds and reports the charges as a revenue, both amounts (revenue and expenses) should be eliminated. If the fund providing the service reports the charges as a reduction of its own expenses (i.e., interfund reimbursements) the elimination is not necessary.

3. Allocation of overhead expenses[1].

4. Interfund services provided and used (quasi-external transactions) – the "like external" sales and purchases of goods and services should not be eliminated.

5. Transfers within the governmental or business-type activities have to be eliminated. The net amount transferred between both types of activities should be reported as a single line after extraordinary and special items.

6. Transactions between different functions but within the same fund should be eliminated. They should be reported in the function to which they are allocated.

[1] Although not acting as internal service funds, some funds charge other funds for what are, in effect, allocations of overhead expenses. These allocations should be treated the same way as interfund activity.

The difference between a government's assets and liabilities is its net assets. Net assets should be displayed in three components:

- Invested in capital assets, net of related debt,
- Restricted net assets, and
- Unrestricted net assets.

Invested in Capital Assets, Net of Related Debt

The amount should be calculated as follows:

1. capital asset balances in the statement of net assets (including restricted capital assets),
2. minus accumulated depreciation (if capital assets are not reported net), and
3. minus outstanding balances of any bonds, mortgages, notes, or other capital related debt that is attributable to the acquisition, construction, or improvement of those assets.

If there is no capital related debt, the line should be labeled *Invested in Capital Assets*.

All capital assets should be reported as *Invested in Capital Assets, Net of Related Debt*, regardless of restrictions but they should not include any financial resources restricted for capital assets acquisition (e.g., unspent bond proceeds, etc.). The latter would be reported as *Restricted Net Assets.*

If a part of the debt proceeds was spent on assets that have been not capitalized (assuming that part is immaterial), the entire amount of debt should be considered capital related.

The amount of debt should be adjusted for any accumulated amounts of noninterest bearing and/or deep-discount debt discounts.

Capital assets related debt should include debt issued to refund existing capital related debt.

If one government issued debt to finance the capital assets of another government, this debt should not reduce the *Invested in Capital Assets, Net of Related Debt*, unless the capital assets are also reported by the government issuing debt. If they are not reported, the debt should be reported in the *Unrestricted Net Assets*. If the amount is significant, government should disclose details in the notes to the financial statements.

The significant amounts of unspent bond proceeds at the year end should be reported as a reduction of *Restricted Net Assets*, not as a reduction of *Invested in Capital Assets, Net of Related Debt*.

Restricted Net Assets

Net assets should be reported as restricted when constraints placed on net assets use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

While a government has to distinguish between major categories of restrictions, details about unrestricted net assets should not be displayed on the face of the statement. Designation is the management's plan for the use of the resources and is not equivalent to enabling legislation. The enabling legislation refers to situation when a government passes a law that gives them ability to levy tax or otherwise raise revenues, and in that law, the government commits to using these resources for particular purposes.

Restricted net assets should be reduced by liabilities related to those assets. They need to be reported by the major categories of restrictions (e.g., restricted for capital projects, debt service, etc.). No category of restricted net assets can be negative, if liabilities related to restricted assets exceeds those assets, no balance should be reported. The negative amount should be reported as reduction of unrestricted net assets.

Note: The restricted net assets of governmental activities are not equal to reserved fund balances in the governmental funds. The reasons are: different measurement focus, different basis of accounting, and different meaning of terms "restricted" and "reserved".

If there are permanent funds, the restricted net assets should be also displayed as expendable and nonexpendable.

Unrestricted Net Assets

There are no specific criteria for determining when an asset is an unrestricted net asset. It is a default category. If the asset does not meet criteria for *Capital Assets, Net of Related Debt*, and *Restricted Net Assets*, it should be reported as unrestricted. Designations should not be reported on the face of the statement, but the details can be disclosed in the notes to the financial statements.

It is possible that unrestricted net assets may be a negative number (e.g., significant balances of noncurrent operating liabilities such as compensated absences, net pension obligation, or pension related debt exist, etc.).

The government may use the following worksheet to convert the governmental fund balances to net assets. It would be easier to use it after the fund financial statements are completed.

In columns 1 and 2 list the funds and their balances. This information will come from the fund financial statements. In third column list the major categories of restrictions. Allocate the fund balances to appropriate restriction category (make sure that the amounts posted here meet the government-wide financial statements' definition of "restricted assets"). All amounts that are not restricted should be posted in the fourth column. The information for the fifth column should come from the government's capital assets and long-term debt records and can be calculated as follows:

1.	Total capital assets	$
2.	Minus accumulated depreciation	( )
3.	Net capital assets	
4.	Total long-term debt	
5.	Minus unspent debt proceeds	( )
6.	Plus debt discount accretion	
7.	Minus debt premium amortization	( )
8.	Plus/Minus other adjustments	
9.	Subtotal	
10.	Minus debt not used to acquire capital assets	( )
11.	Investment in capital assets net of related debt	$

List all adjustments (e.g., accrued interests, deferred revenues, internal service funds balances) and reclassifications (e.g., unspent debt proceeds, etc.) on the bottom of the worksheet in appropriate columns.

Worksheet for Converting Government Fund Balances to Net Assets

1	2	3				4	5
		Restricted for:					
	Total					Unrestricted	Invested in Capital Assets, Net of Related Debt
Fund Balances:							
Total fund balances							
Adjustments:							
Net assets							

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
(These statements should be prepared in accordance with GASB and NCGA pronouncements)

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699
(D) Component Unit(s)

Fund Financial Statements	(A) Governmental Funds		(B) Proprietary Funds		(C) Fiduciary Funds	(D) Component Units
	General Fund	Other Governmental Funds	Enterprise Funds	Internal Service Funds		
Balance Sheet – Governmental Funds[1]	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Revenues, Expenditures, and Changes in Fund Balances	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Net Assets (or Balance Sheet) – Proprietary Funds	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Revenues, Expenses, and Changes in Fund Net Assets (or Fund Equity)	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Cash Flows	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, private purpose and agency fund	Fiduciary component units are included with the appropriate fund type
Statement of Changes in Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, and private purpose	Fiduciary component units are included with the appropriate fund type
Notes to Financial Statements	Prepared for reporting entity as a whole.					
Required Supplementary Information (RSI)	Prepared for reporting entity as a whole.					

After preparing the reports, the government will need to keep all worksheets on file and available for the auditor.

If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in the report. This matrix does not detail these additional requirements.

If your government assumes risk or self-insures, OR provides claims servicing or insurance coverage to others, please see Part 3, Chapter 12 for additional reporting requirements.

[1] The Statement should not include: general capital assets and general long-term liabilities.

The financial statements for governmental funds should report a separate column for each individual major fund, with data from all non-major governmental funds aggregated into a single *Other Governmental Funds* column, regardless of fund type.

There are three basic types of funds: governmental, proprietary, and fiduciary

The **governmental** fund type consists of:

1. General Fund
2. Special Revenue Funds
3. Debt Service Funds
4. Capital Project Funds
5. Permanent Funds

The **proprietary** fund type consists of:

1. Enterprise Funds
2. Internal Service Funds

Although, the internal service fund is classified as a proprietary fund type (and has to be reported as such in the funds financial statements), they should be included as part of the *Governmental Activities* in the government-wide financial statements unless its predominant customers are external entities or enterprise funds, then they would be reported in the *Business-Type Activities* column. For more details about the internal service funds see Part 4, Chapter 3, Section F, *Internal Service Funds*.

The **fiduciary** funds are limited to account for resources that are not available to support governments' operations and programs. This fund type includes:

1. Private-Purpose Trust Funds
2. Pension (and Other Employee Benefit) Trust Funds
3. Investment Trust Funds (required by the GASB Statement 31)
4. Agency Funds (if the agency fund holds the amounts for other funds of the government, these amounts should be reported in the appropriate funds)

For detailed description of funds see Part 3, Chapter 1, Section A.

The governmental and proprietary fund financial statements have to provide financial information for each major fund in a separate column. Major funds represent the government's most important funds and are determined by a mathematical calculation. However, governments should avoid overly mechanical approach and try to identify the individual funds that are most important to users. To determine which funds, in addition to those, which must be reported as major, are of particular importance or interest to the users, the governments should consider factors like:

- Political/social sensitivity of the activities financed from that fund,
- Impact or potential impact of that fund on other programs or services,
- Significance of that fund on financing activities which are of high interest to public,
- Existence of known uses or users of that information (e.g., bond rating companies, investors, etc.),
- Relative size (without regard to the GASB Statement 34 limits),
- Year-to-year consistency in reporting, etc.

Major Funds

The general (current expense) fund is always reported as a major fund.

Major funds reporting only applies to governmental and enterprise funds. It does not apply to internal service or fiduciary funds.

The determination of which funds are major must be made each fiscal year.

Governmental and enterprise funds are required to be reported as major funds if they meet the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses[1] of that individual governmental or enterprise fund are at least ten percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category[2] or type[3] (either total governmental or total enterprise), **and**

b. The same element that met the above ten percent intention is at least five percent of the corresponding element total for all governmental and enterprise funds combined.

There is a spreadsheet available at the State Auditor's Office web site www.sao.wa.gov to help in determining major funds (also see a copy in this section). However, before using the spreadsheet remember:

1. They have to meet both of the criteria above to be required to be reported as a major fund.

2. No elimination of interfund balances is necessary in order to apply the criteria unless there are some significant amounts of interfund payables and receivables, then those can be netted.

3. Total revenues means all revenues - both operating and nonoperating revenues of enterprise funds, including capital contributions except for other financing sources (governmental funds), transfers in and gains from the extraordinary items.

4. Total expenditures/expenses means all expenditures or expenses - both operating and nonoperating except for other financing uses (governmental funds), transfers out and losses from the extraordinary items.

5. The test should be applied to the GAAP amounts reported in the funds financial statements.

[1] These amounts apply for the year being reported. Do not use prior year data.
[2] "…all funds of that category" means all governmental funds, including the general fund.
[3] "…all funds of that type" means all enterprise funds.

If there are no major enterprise funds, they all should be reported in one column and second column would show the internal service fund(s). For more details see this chapter, Section D, *Proprietary Funds Financial Statements*.

Internal service funds are reported in a single column on the face of the proprietary fund financial statements to the right of the enterprise funds. See this chapter, Section F, *Internal Service Funds*.

Fiduciary funds are to be reported in the fund financial statements by fund type (e.g., pension, investment trust, private purpose, and agency funds). For more details see this chapter, Section E, *Fiduciary Funds Financial Statements.*

Nonmajor Funds

Nonmajor funds should be aggregated and reported in a single column to the right of the major funds in the financial statements . It is not permitted to use more than one column for nonmajor funds. Interfund transactions and balances may be, but are not required to be, eliminated when nonmajor funds are combined.

Combining statements for the nonmajor funds are not required, but may be presented as supplementary information.

On the balance sheet any unreserved fund balances for nonmajor funds should be displayed by fund type.

Determining Major Funds

	Assets	Liabilities	Revenues	Expenditures/ Expenses	Exceeds 10%	Exceeds 5%	Qualifies as a Major Fund?
General fund	9,004	654	14,320	13,685			Yes
Special revenue funds:							
SR1	1,890	6596	5,001	8,904	✓	✓	Yes
SR2	3,875	2,750	889	999	✓	✓	Yes
SR3	2,045	1,200	475	154	✓		No
SR4	26	7	54	2			
SR5	21	24	19	18			
SR6							
Debt service fund							
Capital project funds:							
CPF1							
CPF2							
CPF3							
CPF4							
Total governmental funds	16,861	11,231	20,758	23,762			
10% of total governmental funds	1,686	1,123	2,076	2,376			
Enterprise funds:							
ENT1	29,526	5,034	4,601	3,500	✓	✓	Yes
ENT2	27,041	4,024	6,704	254	✓	✓	Yes
ENT3	8,504	7,350	1,000	123	✓	✓	Yes
ENT4							
ENT5							
Total enterprise funds	65,071	16,408	12,305	3,877			
10% of total enterprise funds	6,507	1,640	1,231	388			
Total governmental and enterprise funds	81,932	27,639	33,063	24,150			
5% of total governmental and enterprise funds	4,097	1,381	1,653	1,208			

EXAMPLE

Governmental funds should be reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The governments are required to provide a summary reconciliation of total governmental fund balances to net assets of governmental activities in the statement of net assets. The reconciliation may be presented at the bottom of the balance sheet or in an accompanying schedule. (For possible reconciling items, see Part 4, Chapter 4, *Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.)

The governments have the option to report the budgetary information in the governmental funds financial statements instead as a part of the required supplementary information.

Balance Sheet

The financial information is required to be reported separately for general fund, each major governmental fund and nonmajor governmental funds in aggregate.

Current assets, liabilities, and fund balances of governmental funds should be displayed in a balance sheet using the following formula:

Current Assets = Current Liabilities + Fund Balance

General capital assets and general long-term liabilities are not reported in the governmental fund balance sheet[1].

When preparing the governmental balance sheet, remember:

- Unreserved fund balances of nonmajor funds should be reported by fund type.
- Interfund liabilities should be reported as fund liabilities regardless of their date of scheduled repayment. Interfund loans may be reported as short-term or long-term liabilities depending on their conditions. The governments should also show the reservation of the fund balance for the noncurrent interfund receivables.
- Equity interest in joint ventures should not be reported as an asset in the governmental fund balance sheet except for amounts that meet the definition of financial resources (e.g., receivable from/payable to joint venture, etc.). All equity interest should be reported in the government-wide financial statements.
- A reconciliation that shows adjustments made between the balance sheet and the government-wide statement of net assets is required on the bottom of the report. See Part 4, Chapter 4, *Reconciliation between the Government-Wide and Fund Financial Statements*.

[1] They are reported only on the government-wide financial statements.

Sample City
Balance Sheet
Governmental Funds
December 31, 2002
(in thousands)

	General Fund	Arterial Street	LID Redemption	Parks and Open Space	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	919	35	7		222	1,183
Investments	3,555		950		4,255	8,760
Receivables, Net	716			38	138	892
Due from Other Governments	906	2,412			149	3,467
Interfund Loans	2,234				180	2,414
Prepayments	11					11
Restricted Assets	395		2,988	1	217	3,601
Total Assets	8,736	2,447	3,945	39	5,161	20,328
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	287	1,125			86	1,498
Due to Other Goverments	45					45
Deferred Revenue	388	1,458	2,988		16	4,850
Other	83	4,600		795	183	5,661
Total Liabilities	803	7,183	2,988	795	285	12,054
Fund Balances:						
Reserved for:						
Advances to Other Funds	347				217	564
Noncurrent Receivables						
Other Purposes	11					11
Unreserved, Reported in:						
General Fund	7,575					7,575
Special Revenue Funds		(4,736)			1,505	(3,231)
Capital Projects Funds				(756)	2,922	464
Debt Service Funds			957		232	1,189
Total Fund Balances	7,933	(4,736)	957	(756)	4,876	8,274
Total Liabilities and Fund Balances						

Amounts reported for *governmental activities* in the statement of net assets are different because:[1] balance in govt. funds	8,274
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,778
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	4,850
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	5,558
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(7,785)
Net assets of governmental activities	30,675

The notes to financial statements are an integral part of this statement.

[1] For more details see Part 4, Chapter 4, *Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.

EXAMPLE

Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund statement of revenues, expenditures, and changes in fund balances reports information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate. There is one permitted format for the statement.

Revenues (detailed)	$ _____
Expenditures (detailed)	_____
Excess (deficiency) of revenues over expenditures	_____
Other financing sources and uses, including transfers (detailed)	_____
Special and extraordinary items (detailed)	_____
Net change in fund balances	_____
Fund balances – beginning of period	_____
Fund balances – end of period	$ _____

When preparing the governmental statement of revenues, expenditures and changes in fund balances, remember:

- Governmental fund revenues should be classified by major revenue source (taxes, licenses and permits, etc.); expenditures – by function (e.g., general government, public safety, etc.). However, the governments can report additional details on the statement.

- Debt issue costs paid out of either debt proceeds or from existing resources should be reported as expenditures. The face amount of the debt should be reported as other financing sources and debt premiums or discounts should be shown as a separate component of O*ther Financing Sources (Uses).*

- Payments to escrow agents for bond refunding from the proceeds of the refunding (new) debt should be reported separate category in *Other Financing Sources (Uses).*

- Sales of assets (unless they are considered a special item) and transfers should be also shown as separate categories in *Other Financing Sources (Uses)*.

- Extraordinary and special items should be separated on the bottom of the statement. For more details see Part 4, Chapter 2, Section B, *Statement of Activities.*

- A reconciliation that shows adjustments made between the statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities, is required on the bottom of the report. See Part 4, Chapter 4, *Conversion and Reconciliation between the Government-Wide and Fund Financial Statements*.

The governments are required to provide a summary reconciliation between total change in governmental fund balances and the change in net assets in governmental activities in the statement of activities. The reconciliation may be presented at the bottom of the statement of revenues, expenditures, and changes in fund balances or in an accompanying schedule. (For possible reconciling items, see Part 4, Chapter 4, *Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.)

Sample City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2002
(in thousands)

	General Fund	Arterial Street	LID Redemption	Parks and Open Space	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	10,997	308		450	2,423	14,178
Licenses and Permits	728					728
Charges for Services	3,089	327			10	3,426
Intergovernmental Revenues	661	4,097			444	5,202
Fees and Fines	247					247
Investment Earnings						
Miscellaneous	844	151	956	39	353	2,343
Total Revenues	16,566	4,883	956	489	3,230	26,124
EXPENDITURES						
Current:						
General Government	2,641					2,641
Public Safety	7,236					7,236
Public Works	1,934					1,934
Health and Human Services	5					5
Culture and Recreation	2,317				92	2,409
Economic	714					714
Transportation					1,023	1,023
Debt service:						
Principal		33	800		495	1,328
Interest and Other Charges			223	60	188	471
Capital Outlay	32	9,319		40	576	9,967
Total Expenditures	14,879	9,352	1,023	100	2,374	27,728
Excess (Deficiency) of Revenues over Expenditures	1,687	(4,469)	(67)	389	856	(1,604)
OTHER FINANCING SOURCES (USES)						
Refunding Bonds Issued						
Capital-Related Debt Issued						
Payment to Bond Refunding Escrow Agent						
Transfers in		503			596	1,099
Transfers out	(785)			(81)	(518)	(1,384)
Total Other Financing Sources and Uses	(785)	503		(81)	78	(285)
SPECIAL ITEMS						
Net Change in Fund Balances	902	(3,966)	(67)	308	934	(1,889)
Fund Balances-Beginning	7,031	(770)	1,024	(1,064)	3,942	10,163
Fund Balances-Ending	7,933	(4,737)	958	(756)	4,876	8,274

EXAMPLE

The notes to financial statements are an integral part of this statement.

The following are required fund financial statements for proprietary funds:

- Statement of net assets (or balance sheet),
- Statement of revenues, expenses, and changes in fund net assets (or fund equity), and
- Statement of cash flows (see Part 4, Chapter 5).

Proprietary funds are presented using the economic resources measurement focus and the full accrual basis of accounting. They are reported the same way as in the government-wide financial statements. However, internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column. A combined total column for all enterprise funds should be presented. By reporting the internal service funds separately from the proprietary funds, the information in the "Totals" column in these statements flows directly to the "Business-Type Activities" column on the government-wide statement of net assets. The interfund eliminations within enterprise funds are not required.

Enterprise funds may continue to apply FASB pronouncements issued after November 30, 1989. Also, proprietary funds may choose instead of depreciating infrastructure, the modified approach. See Part 4, Chapter 2, Section E, *Infrastructure*.

Proprietary Fund Statement of Net Assets (or Balance Sheet)

Governments have the option of two reporting formats:

1) Statement of Net Asset format (Assets – Liabilities = Net Assets), or

2) Balance Sheet format (Assets = Liabilities + Net Assets).

The assets and liabilities should be presented in a classified format. This requires reporting assets and liabilities as either current or noncurrent. A one-year cut-off is a typical when determining if assets are expected to be realized in cash or consumed and liabilities are expected to be paid. Current assets include: cash available from current operations, receivables, inventories, prepaid expenses and investments, etc. Current liabilities include accounts payable, notes payable, amounts due to other funds, current portion of long-term debt, current portion of compensated absences, claims and judgments, etc.

Restricted assets are reported as a separate line item. The following assets are required to be reported as restricted:

- Assets that are restricted for use other than current operations.
- Assets that are restricted for the acquisition or construction of noncurrent assets.
- Assets that are restricted for sinking funds or for the liquidation of long-term debts.

Most of the restricted assets are noncurrent. However, restricted assets that will be used in current operations (e.g., certain grants, etc.) should be reported as current assets. Liabilities payable from restricted assets may be reported separately.

Net assets (or fund equity) should be reported in three components:

1. Invested in capital assets, net of related debt.
2. Restricted (listed by major restrictions).
3. Unrestricted.

For more details see Part 4, Chapter 2, Section G, *Net Assets*.

If amounts reported for enterprise funds differ[1] from those reported on government-wide financial statements in the business-type activities column, the government should present a summary reconciliation on the bottom of the proprietary funds statement of net assets (or balance sheet).

[1] The difference may be due to the internal service funds, which can be included in the business-type of activities in the government-wide statement of net assets.

Sample City
Statement of Net Assets
Proprietary Funds
December 31, 2002
(in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund	Main Enterprise Fund	Nonmajor Enterprise Funds	Totals	Internal Service Fund(s)
ASSETS					
Current Assets:					
Cash and Cash Equivalents	943	858	626	2,427	
Interfund Loans	2,600			2,600	
Receivables, Net	162	443	50	655	
Due from Other Governments		92		92	
Inventories	119			119	
Total Current Assets	3,824	1,394	676	5,894	
Restricted Assets	4,120	6,510	1,343	11,973	
Noncurrent Assets:					
Special Assessments	517	1,789		2,306	
Capital Assets: (Net of Accumulated Depreciation)					
Equipment	564	127	83	774	
Land and Improvements	1,537	55	707	2,299	
Constructions in Progress	212	84	177	473	
Buildings	45			45	
Other Improvements	23,198	18,617	5,177	46,992	
Total Noncurrent Assets	30,193	27,812	7,487	64,862	
Total Assets	34,017	28,576	8,162	70,756	
LIABILITIES					
Current Liabilities:					
Accounts Payable	137	391	20	548	
Deposits	44			44	
Compensated Absences	49	33	7	89	
Deferred Amount (Refunding)	(15)	(37)		(42)	
Bonds, Notes, and Loans Payable	376	591	88	1,055	
Total Current Liabilities	591	978	115	1,684	
Noncurrent Liabilities:					
Compensated Absences					
Claims and Judgments					
Bonds, Notes, and Loans payable	3,901	3,138	267	7,306	
Total Noncurrent Liabilities	3,901	3,138	267	7,306	
Total Liabilities	4,492	4,116	382	8,990	
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	21,286	15,163	5,789	42,238	
Restricted for Debt Service					
Unrestricted	8,239	9,297	1,992	19,528	
Total Net Assets	29,525	24,460	7,781	61,766	
Some amounts reported for *business-type activities* in the statement of net assets are different because[1] _____					
Net assets of business-type activities					

The notes to financial statements are an integral part of this statement.

[1] For more details see Part 4, Chapter 4, *Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.

EXAMPLE

Statement of Revenues, Expenses, and Changes in Fund Net Assets (or Fund Equity)

There is a specific format for this statement:

Operating revenues (detailed)
Total operating revenues
Operating expenses (detailed)
Total operating expenses
Operating income (loss)
Nonoperating revenues and expenses (detailed)
Income before other revenues, expenses, gains, losses and transfers
Capital contributions (grants, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers
Increase (decrease) in net assets
Net assets – beginning of period
Net assets – end of period

This is an all-inclusive format. All transactions (including capital contributions) that affect net assets/fund equity (i.e., "balance sheet transactions") should be included. No amounts may be reported as direct addition to net assets/fund equity or as a "balance sheet transactions" only. All transactions, including capital contributions[1], additions to permanent funds, equity transactions involving joint ventures have to be reported in the statement of changes.

Revenues should be reported by major source. All revenues should be reported net of discounts and allowances (they should be disclosed in parenthesis or in the notes to the financial statements). Uncollectible amounts should not be reported as expense but as adjustments to revenue.

Revenues and expenses should distinguish between operating and nonoperating. Governments should establish their own policy for defining operating and nonoperating revenues and expenses and the policy should be disclosed in the notes to the financial statements.

Although there is not a specific definition for the operating or nonoperating revenues, the following revenues should be considered as nonoperating:

- Operating grants and contributions and grants and contributions that are not restricted to either operating or capital functions.
- Property or other taxes.
- Exchange-like transactions that are restricted for capital or financing purposes.
- Interest and dividends and realized and unrealized gains or losses on investments.
- Interest expense, debt issue expenses, and premium or discount on debt.

The government has to always consider the nature of the activity being reported before classifying the revenues on financial statements.

Both operating and nonoperating expenses can be reported either at detailed (object) or function level.

The government should present a summary reconciliation on the bottom of the statement of changes if the amounts reported for enterprise funds differ from those reported on government-wide financial statements in the business-type activities column. For more details see Part 4, Chapter 4, *Conversion and Reconciliation between Government-Wide and Fund Financial Statements.*

[1] Capital contribution include revenues received in the form of contributed capital assets,, nonexchange grants and contributions restricted to capital purposes, fees and charges restricted to capital assets acquisition.

Sample City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2002
(in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund		**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Fund(s)**
OPERATING REVENUES					
Charges for Services	4,785	6,623	1,282	12,690	1,536
Miscellaneous					
Total Operating Revenues					
OPERATING EXPENSES					
Personal Services	1,403	4,626	531	6,560	873
Debt Disc. Amount	2	4		6	
Taxes	219	84	19	322	
Repairs and Maintenance	1,199	1,020	245	2,464	127
Other Supplies and Expenses					
Insurance Claims and Expenses					
Depreciation	799	590	140	1,529	655
Total Operating Expenses	3,622	6,324	935	10,881	1,655
Operating Income (Loss)	1,163	299	347	1,809	(120)
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Revenue	429	469	101	999	194
Miscellaneous Revenue	116	124	21	261	51
Interest Expense	(224)	(228)		(452)	
Gains/Loss on Sale of Capital Assets	(3)	(3)		(6)	(28)
Total Nonoperating Revenue (Expenses)	318	362	121	801	221
Income (Loss) before Contributions and Transfers	1,481	661	468	2,610	102
CAPITAL CONTRIBUTIONS	869	107	454	1,430	177
TRANSFERS IN			50	50	235
TRANSFERS OUT					
Change in Net Assets	2,350	768	972	4,090	513
Total Net Assets-Beginning	27,175	23,692	6,809	57,676	5,065
Total Net Assets-Ending	29,525	24,460	7,781	61,766	5,578
Some amounts reported for *business-type activities* in the statement of activities are different because[1] _____					
Change in net assets of business-type activities					

EXAMPLE

The notes to financial statements are an integral part of this statement.

[1] For more details see Part 4, Chapter 4, *Conversion and Reconciliation between Government-Wide and Fund Financial Statements*.

The following are required financial statements for fiduciary funds[1]:

- Statement of fiduciary net assets, and
- Statement of changes in fiduciary net assets.

The fiduciary statements are to be prepared using the economic resources measurement focus and full accrual basis of accounting.[2]

Agency funds should be reported in the statement of net assets and fund assets should equal fund liabilities. Agency funds do not have operations and should not be reported in the statement of changes in fiduciary net assets.

Statement of Fiduciary Net Assets

This Statement should include information about the assets, liabilities, and net assets for each fiduciary fund type[3] and similar discretely presented component units of the government. Since the statement of fiduciary net assets is an equivalent to the statement of plan assets required by the GASB Statement 25, the government should provide a sufficient level of details to meet both requirements. If not, the government should clearly indicate where else that information is displayed.

Net assets should be labeled based on the purpose for which they are held in trust, such as *Held in Trust for Pension Benefits*.

[1] Component units that are fiduciary in nature should be presented within the fund type columns with the fiduciary funds of the primary government.. A separate column for fiduciary component units should not be presented.
[2] There are some exceptions for liabilities of defined benefit pension plan and certain postemployment health care plans. Paragraph 26 of Statement 25 and paragraph 7 of Statement 26 provide guidance on recognition of these liabilities.
[3] The major fund reporting does not apply to fiduciary funds.

Sample City
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2002
(in thousands)

	Employee Retirement Plan	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and Cash Equivalents	3	4	32
Receivables:			
Interest and Dividends	697		
Other Receivables	8		4
Total Receivables	705	4	36
Investments, at fair Value:			
U.S. Government Obligations	12,454	85	
Municipal Bonds	7,890		
Corporate Bonds	8,254	7	
Corporate Stocks	45		
Other Investments			
Total Investments	28,643	92	
Total Assets	29,351	96	36
LIABILITIES			
Accounts Payable		3	
Refunds Payable and Others	2,621		36
Total Liabilities		3	36
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	26,730	93	

The notes to financial statements are an integral part of this statement.

EXAMPLE

Statement of Changes in Fiduciary Net Assets

The statement of changes in fiduciary net assets should include information about the additions to, deductions from, and net increase (or decrease) for the year in net assets for each fiduciary fund type[1] and similar discretely presented component units. It should provide information about significant year-to-year changes in net assets. The government should provide additional details about investments and provide the level of details for all other fiduciary funds, or clearly indicate where that information is displayed.

(The statement of changes in fiduciary net assets is equivalent to the statement of changes in plan assets required by GASB Statement 25.)

Sample City
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2002
(in thousands)

	Employee Retirement Plan	Private-Purpose Trust
ADDITIONS		
Contributions:		
Employer	3,064	
Plan Members	1,532	
Total Contributions	4,596	
Investment Earnings:		
Net (Decrease) in Fair Value of Investments	(7)	
Interest	2,864	5
Dividends	1,001	
Total Investment Earnings	3,858	5
Less Investment Expense	154	
Net Investment Earnings	3,704	
Total Additions	8,300	
DEDUCTIONS		
Benefits	2,987	3
Refunds of Contributions	301	
Administrative Expenses	49	1
Total Deductions	3,337	4
Change in Net Assets	4,963	1
Net Assets-Beginning of the Year	21,767	92
Net Assets-End of the Year	26,730	93

EXAMPLE

The notes to financial statements are an integral part of this statement.

[1] The major fund reporting requirements do not apply to fiduciary funds.

The internal service funds are reported in all of the proprietary fund financial statements in a separate column to the right of the total enterprise funds column. Major fund requirements do not apply to the internal service funds and their information is combined into one column. See Part 4, Chapter 3, Section D, *Proprietary Funds Financial Statements* for reporting requirements and Part 3, Chapter 7, Section G, *Accounting for Internal Service Funds* for more information about the funds.

The individual internal service funds may be presented as supplementary information.

Reporting the Internal Service Funds in the Government-Wide Financial Statements

Even though internal service funds are classified as proprietary funds, the nature of the activity accounted for in them is generally governmental and should normally be reported as governmental activities. The exception to this presentation is when the internal service funds serves predominantly[1] external parties or enterprise funds. Then they should be reported together with the business-type activities.

There may be cases where internal service funds provide both governmental and business-type services. In that situation the government must allocate the fund's revenues and expenses to governmental and business-type activities.

Before allocating any of the balances, the government needs to consider their materiality. Also, instead of prorating balances to different functions, it may be sufficient to allocate the entire amount to a predominant function. The revenues and expenses associated with services provided to external customers should be excluded from this allocation. The government has to use its professional judgment to determine if the failure to allocate the internal service fund balances would materially affect the government-wide financial statements.

The allocations and adjustments do not need to be posted to the general ledger. They are matters of spreadsheet calculations.

The internal service fund asset and liability balances that are not eliminated[2] should be reported in the governmental activities column (unless the enterprise funds are predominant or only user of its services).

The amounts reported in the internal service funds are added to the net assets of the governmental funds and then included in the statement of net assets.

In the statement of activities the eliminations are necessary to remove the "doubling" effect of internal service fund activities. To accomplish that only the residual balances are reported. Internal revenues (except investment income) and expenses (except interest) should be netted. The difference should be charged back entirely or on pro-rata basis to the funds/functions that used services or acquired goods from that internal service fund (e.g., if the internal service fund reports net income, the entire amount should be charged back to the participating funds and would reduce their expenses related to the services and goods purchased from that fund).

Certain revenues and expenses are not internal and should not be eliminated, especially significant investment income or interest expense. In this case they have to be reported in the related categories in the statement.

---

[1] The GASB Statement 34 does not define the term *predominantly*. This term will require professional judgement. The local government should consider whether the fund's primary purpose is to serve government , or whether the fund's primary purpose is to provide, and charge a fee for, goods and services and a government is just a "customer".

[2] Interfund payables and receivables should be eliminated unless the internal service fund is reported in as governmental activities and has transactions with business-type activities (and vice versa).

Chapter 4. Conversion and Reconciliation between Government-Wide and Fund Financial Statements

The first step in preparing the government-wide financial statements is to convert the data in the governmental fund financial statements. This data is presented using the modified accrual basis and adjustments are necessary to transition it to the statements which are on the full accrual basis.

None of the conversions should be performed for individual funds. They should be converted at the total governmental fund summary level. It is also not necessary to convert day to day accounting records. **None of the adjustments should be applied to immaterial items.**

Conversion from the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

The following table describes the assets and liabilities that need to be converted to the full accrual basis for the government-wide statement of net assets. Also, the table lists possible adjustments to reconcile fund balances in governmental funds to the net assets in governmental activities in the statement of net assets.

Assets and Liabilities	Conversion	Reconciliation
		Start: Fund Balances - Governmental Funds
Capital assets of general government	Report capital assets, net of accumulated depreciation/ amortization	Add: carrying value of capital assets
Deferred charges for issuance costs	Report unamortized balances of deferred charges for debt issuance costs	Add: unamortized balances of deferred charges for debt issuance costs
Inventories and prepaid items	Report outstanding inventories and unamortized portions of prepaid items	Add: outstanding inventories and unamortized portions of prepaid items
Unmatured long-term debt net of unamortized premiums, discounts, and similar items	Report unmatured long-term debt net of unamortized premiums, discounts, and similar items	Less: net unmatured long-term debt
Accrued interest	Report liability for accrued interest payable	Less: accrued interest payable
Accrued obligations not normally recorded in governmental funds (e.g., compensated absences, claims and judgements, operating leases with scheduled rent increases, special termination benefits, government's net pension obligations as an employer, landfill closure and postclosure care costs, etc.)	Report accrued liabilities outstanding	Less: accrued liabilities not reported in governmental funds
Assets of internal service funds that primarily serve governmental funds	Report assets of internal service funds	Add: assets of internal service funds that primarily serve governmental funds
Liabilities of internal service funds that primarily serve governmental funds	Report liabilities of internal service funds	Less: liabilities of internal service funds that primarily serve governmental funds
Liability of earned but deferred revenue	Remove liability	Add: earned but deferred revenue
Liability of unearned deferred revenue	No change required	No effect
		End: **Net Assets - Governmental Activities**

Conversion from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities

The following table lists adjustments needed to convert the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities. Also, the table lists possible reconciliation items.

Transaction/Event	Conversion	Reconciliation
		Start: Net Change in Fund Balances -Governmental Funds
Capital outlays	Remove capitalizable expenditures incurred for the acquisition or construction of capital assets	Add: capitalizable expenditures incurred for the acquisition or construction of capital assets
Debt service principal payments and refunding payments	Remove expenditures and other financing uses for debt service principal and refunding payments	Add: expenditures and other financing uses for debt service principal and refunding payments
Other financing sources, uses, and expenditures resulting from debt issuance	Remove other financing sources, uses, and expenditures resulting from debt issuance	Less: other financing sources for debt and related premiums Less: excess of carrying value of refunded debt over reacquisition cost of refunded debt Add: other financing uses for discounts Add: expenditures for issuance costs Add: excess of reacquisition cost of refunded debt over carrying value of refunded debt
Donations of capital assets	Record donations of capital assets	Add: donations of capital assets
Sales of capital assets	Replace amount of proceeds by gain or loss on transaction	Less: sale proceeds minus gain **and** sale proceeds plus loss
Sales of fund assets (foreclosure assets held for resale)	Reclassify revenues and expenditures (or reduction of revenue) related to fund asset sales as gains or losses	No effect
Revenues and expenditures related to prior periods	Remove revenues and expenditures related to prior periods	Less: revenues related to prior periods Add: expenditures related to prior periods
Revenues earned during the period but not yet available	Record revenues earned during the period but not yet available	Add: revenues earned during the period but not yet available
Expenses incurred during the period but not normally expected to be liquidated with expendable available financial resources (unless they are due for payment in the current period)	Record expenses incurred during the period related to liabilities that are still outstanding at year-end that are normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period	Less: expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for: accrued interest, compensated absences, claims and judgements, special termination benefits, landfill closure and postclosure care costs, operating leases with scheduled rent increases, net pension obligation
Depreciation	Record depreciation expense	Less: depreciation expense
Amortization of issuance costs, premiums, discounts, and similar	Adjust revenues and expenses for amortization	Less: amortization of issuance costs and discounts (and net

items		refunding difference if a debit) Add: amortization of premiums (and net refunding difference if a credit)
Consumption of inventories and amortization of prepaids	Record expense for inventories consumed during the period and for amortization of prepaids[1]	Less: inventories consumed during the period and amortization of prepaids
Activities of internal service funds properly included within governmental activities	Record internal service fund revenues and expenses not subject to consolidation	Add: net profit Less: net loss
		End: **Change in Net Assets-Governmental Activities**

Reconciliation to the Government-Wide Financial Statements

Differences in the classification, as well as differences in the measurement focus and basis of accounting cause the amounts reported in the governmental activities in government-wide financial statements and governmental funds financial statements to differ significantly. To explain this discrepancy, a government is required to provide a summary reconciliation between those statements. The reconciliation can be presented on the face of the governmental funds balance sheet and the statement of revenues, expenditures, and changes in the fund balances or as accompanying schedule (a page immediately following the statements).

If the aggregated information in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, a government should present a more detailed explanation in the notes to the financial statements.

The summary reconciliation of the difference between the governmental funds balance sheet and the government-wide statement of net assets should address separately at least the following items:

1. Reporting capital assets at historical cost and depreciating them instead of reporting capital acquisition as expenditure when incurred;
2. Adding general long-term liabilities not due and payable in the current period;
3. Reducing deferred revenue for those amounts that were not available to pay current-period expenditures; and
4. Adding internal service fund net asset balances.

The summary reconciliation of the difference between the governmental funds statement of revenues, expenditures and changes in the fund balances and the government-wide statement of activities should address separately at least the following items:

1. Reporting revenues on full accrual basis;
2. Reporting annual depreciation expenses instead of expenditures for capital outlays;
3. Reporting long-term debt proceeds in the statement of net assets as liabilities instead of other financing sources; also reporting debt principal payments in the statement of net assets as reduction of liabilities instead of expenditures;
4. Reporting other expenses on the full accrual basis; and
5. Adding the net revenues (expense) of internal service funds.

There maybe a difference between total enterprise funds and business-type activities, in that case, governments have to reconcile enterprise funds financial statement with business-type activities column on the government-wide financial statements.

[1] Not applicable if a government uses consumption method.

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
(These statements should be prepared in accordance with GASB and NCGA pronouncements)

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699
(D) Component Unit(s)

Fund Financial Statements	(A) Governmental Funds		(B) Proprietary Funds		(C) Fiduciary Funds	(D) Component Units
	General Fund	Other Governmental Funds	Enterprise Funds	Internal Service Funds		
Balance Sheet – Governmental Funds[1]	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Revenues, Expenditures, and Changes in Fund Balances	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Net Assets (or Balance Sheet) – Proprietary Funds	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Revenues, Expenses, and Changes in Fund Net Assets (or Fund Equity)	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Cash Flows	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, private purpose and agency fund	Fiduciary component units are included with the appropriate fund type
Statement of Changes in Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, and private purpose	Fiduciary component units are included with the appropriate fund type
Notes to Financial Statements	Prepared for reporting entity as a whole.					
Required Supplementary Information (RSI)	Prepared for reporting entity as a whole.					

After preparing the reports, the government will need to keep all worksheets on file and available for the auditor.

If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in the report. This matrix does not detail these additional requirements.

If your government assumes risk or self-insures, OR provides claims servicing or insurance coverage to others, please see Part 3, Chapter 12 for additional reporting requirements.

[1] The Statement should not include: general capital assets and general long-term liabilities.

Chapter 5. Statement of Cash Flows

The government must present a statement of cash flows for proprietary funds. The only acceptable method of presentation is the direct method. In using the direct method, a reconciliation of operating cash flows to operating income is required.

The statement of cash flows reports the flow of cash in four activities:

- Cash Flows from Operating Activities,
- Cash Flows from Noncapital Financing Activities,
- Cash Flows from Capital and Related Financing Activities, and
- Cash Flows from Investing Activities.

Cash Flows from Operating Activities

In reporting cash flows from operating activities, governments should report major classes of gross cash receipts and gross cash payments and their sum – the net cash flow from operating activities. Cash flows from operations include all cash related to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net assets. In addition, the operating activities category is used for any cash inflow or outflow that cannot properly be classified in one of the other three categories. Governments should, at a minimum, report separately these classes of operating cash receipts and payments:

a. Cash receipts from customers,
b. Cash receipts from interfund services provided,
c. Other operating cash receipts (if any),
d. Cash payments to employees for services,
e. Cash payments to other suppliers of goods or services,
f. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided,
g. Other operating cash payments (if any)

The cash flows for cash receipts from customers, cash paid to employees and suppliers (item a, d and e above) may be difficult to determine, so the governments may indirectly calculate these amounts. (See the worksheet at the end of this section.)

Further detail of operating cash receipts and payments should be provided if the detail is useful. Interest receipts usually do not qualify to be a part of cash flows from operating activities. Exceptions to this rule are loans that:

1) fulfill government social programs rather than for income or profit; and
2) directly benefit individual constituents of government.

Program loans typically refer to loans that meet both of these exceptions. The collection of principal payments related to program loans is reported as a cash inflow in this section.

Cash Flows from Noncapital Financing Activities

This portion of the cash flows statement include:

- Borrowing and repayments (principal and interest) of debt that is not clearly attributable to capital purposes. Capital purposes include capital acquisition, construction, or improvement, including capital lease repayments.
- Borrowings to finance program loans.
- Grant proceeds not specifically restricted to capital purposes.
- Grant payments (both capital and otherwise) to other governments.
- Transfers to and from other funds (except when a transfer is received for capital purposes).

- Tax receipts not attributable to capital purposes.
- Interest paid on noncapital-related vendor payables.

Cash Flows from Capital and Related Financing Activities

This portion of the cash flows statement include:

- Borrowing and repayment (principal and interest) of debt clearly attributable to capital purposes.
- Proceeds of capital grants and contributions.
- Transfers from other funds for capital purposes.
- Payments related to the acquisition, construction, or improvement of capital assets.
- Sale or involuntary conversion of capital assets (such as insurance proceeds resulting from the loss of a capital asset).
- Capital-type special assessments.
- Tap fees in excess of the actual cost of connection (if they are to be used for capital purposes).
- Taxes levied specifically for capital purposes or related debt service.

Interest capitalization is ignored for purposes of the statement of cash flows. Interest payments should be reported as interest payments rather than as capital acquisition, even though the payments may be capitalized in the statement of fund net assets and not reported as interest expense in the statement of revenues, expenses, and changes in fund net assets.

Cash Flows from Investing Activities

This portion of the cash flows statement include:

- Receipt of interest (except on certain program loans).
- Loan collections (except for certain program loans).
- Proceeds from the sale of investments.
- Receipt of interest on customer deposits.
- Changes in the fair value of investments subject to fair value reporting and classified as cash equivalents.

Cash outflows in the investing activities category include:

- Loans made to others (except for program loans).
- Purchase of investments.

Reconciliation

Governments are required to provide a reconciliation of the difference between cash flows from operating activities and operating income. This reconciliation should be presented either within the statement of cash flows or as an accompanying schedule to the statement.

Noncash investing, capital, or financing transactions

The statement of cash flows is limited to actual inflows and outflow of cash (and cash equivalents). Therefore, financial statement users still need information on certain noncash activities that otherwise would fail to be reported either in the statement of revenues, expenses, and changes in fund net assets or in the statement of cash flows. Specifically, information is needed regarding noncash transactions that meet two criteria:

1. The transaction affects recognized assets or liabilities, and
2. The transaction would not properly have been classified as cash flows from operating activities.

This information can be presented either in a narrative or tabular format on a separate schedule accompanying the statement of cash flows.

City of Example
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, _____

	Business-Type Activities				Governmental Activities
	Major Enterprise Fund	_____	Nonmajor Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	①				
Payments to suppliers	(②)				
Payments to employees	(③)				
Internal activity - payments to other funds	(⑤)				
Claims paid to outsiders	(⑤)				
Other receipts (payments)	_____				
Net cash provided (used) by operating activities	④				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	_____				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt					
Capital contributions					
Purchases of capital assets					
Principal paid on capital debt					
Interest paid on capital debt					
Other receipts (payments)	_____				
Net cash provided (used) by capital and related financing activities	_____				
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments					
Interest and dividends					
Net cash provided by investing activities	_____				
Net Increase (decrease) in cash and cash equivalents	_____				
Balances - beginning of the year	_____				
Balances - end of the year	_____				

***Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating income (loss)					
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense					
Change in assets and liabilities:					
Receivables, net					
Inventories					
Accounts and other payables					
Accrued expenses	_____				
Net cash provided by operating activities	④				

Note: The required information about noncash investing, capital, and financing activities is not illustrated.

Cash Flow Worksheet

		Business-Type Activities	
Cash received from customers:			
	Operating Revenues		
Add:	Customer Receivables - Beginning		
Less:	Customer Receivables - Ending		
Less:	Increase in Bad Debt	_____	
	Net Cash Received from Customers	①	See Statement of Cash Flows
Cash paid to suppliers:			
	Supplies and Materials		
Add:	Repairs and Maintenance		
Add:	Utilities		
Add:	Other Operating Expenses		
Sub total	Total Expenses Requiring Cash		
Add:	Accounts Payable - Beginning		
Less:	Accounts Payable – Ending	_____	
	Net Cash Paid to Suppliers	②	See Statement of Cash Flows
Cash paid to employees:			
	Salaries and Benefits		
Add:	Salaries and Benefits Payable - Beginning		
Less:	Salaries and Benefits Payable - Ending		
Add:	Compensated Absences Payable - Beginning		
Less:	Compensated Absences Payable – Ending	_____	
	Net Cash Paid to Employees	③	See Statement of Cash Flows
Cash flows from operations:			
	Cash Received from Customers	①	
	Other Operating Cash Receipts (Uses)	Add receipts/Less uses	
Less:	Cash Paid to Suppliers	②	
Less:	Cash Paid to Employees	③	
	Net Cash Provided (Used) by Operating Activities	④	See Statement of Cash Flows

NOTES TO FINANCIAL STATEMENTS

The notes to financial statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes are an integral part of the financial statements and should supplement them.

Although notes presented in this chapter are considered the minimum requirement for annual reporting, they are not all inclusive and additional disclosures may be needed due to the local governments' unique circumstances. Before including additional information the government should consider its significance for the fair presentation and avoid immaterial and unnecessary disclosures.

Governments submitting their comprehensive annual financial reports (CAFR) for the GFOA Certificate of Achievement for Excellence in Financial Reporting should follow the criteria and required disclosures set forth in the 1999-2000 *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2300.

Each financial note in this chapter contains two parts: (1) Notes to Preparer, and (2) Sample Text.

(1) **Notes to Preparer -** comments and instructions how to write a note. They may include additional versions of the note.

(2) **Sample Text -** the most common version of the note. The *Sample Text* is meant to help write the note, however, it is your responsibility to determine if the entire note or only parts of the note are adequate to your government. DELETE information that is not applicable. INCLUDE any other information necessary for the fair presentation.

The notes to financial statements can be presented in any format (i.e., narratives, tables, schedules, matrixes, etc.) as long as they contain the required information.

Lines in the *Sample Text* are numbered and *Notes to Preparer* refer to those lines. Make sure that each page of the financial statements contains references to the notes.

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11 For "type of government" describe the legal information of your government, such as "noncharter code city with a mayor-council form of government" or "first-class county with commissioner form of government" or "home-rule charter city with council-manager form of government".

17 Provide a brief description of component units and their relationship with the primary government. Discuss the criteria used to identify the component units and method used to present them (blended or discrete).[1] The following examples are intended to help you describe your circumstances:

Blended component units

The (component unit's name) is governed by the (number)-member board appointed by the (city/county/district) board. Although it is legally separated from the (city/county/district), the (component unit's name) is reported as if it were part of primary government because it sole purpose is to finance and construct the (city/county/district) public buildings.

Discretely presented component units

The (component unit's name) provides ( ) services to the (city/county/district). The (city/county/district) annually provides significant operating subsidiaries to the (component unit's name) .

The (component unit's name) operates (city/county/district) facilities. The (component unit's name) operating budget is a subject to approval of the (city/county/district) board. The board also approves proposed capital improvements and additions to the (component unit's name) facilities.

If the major[2] component units are not presented in the financial statements, the city/county/district should present the condensed financial statements of these component units here. (Non-major component units should be aggregated in one column.)

[1] See Part 3, Chapter 12 for additional discussion.

[2] To determine if component unit is major - look at its significant relationship to other component units and the nature and significance of its relationship to the primary government.

NOTES TO FINANCIAL STATEMENTS
SAMPLE TEXT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the (city/county/district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The (city/county/district) was incorporated on (date) and operates under the laws of the state of Washington applicable to (type of the government). As required by the generally accepted accounting principles the financial statements present (city/county/district) - the primary government - and its component units. The component units discussed below are included in the (city/county/district) reporting entity because of the significance of their operational or financial relationships with the (entity type).

Individual Component Units Disclosures

(See NOTES TO PREPARER)

If the city/county/district chooses to present component units information in the notes, these details should be presented, at a minimum:

Condensed statement of net assets:

- Total assets – distinguishing between capital assets and other assets.
- Amounts receivable from the primary government or from other component units should be reported separately.
- Total liabilities – distinguishing between long-term debt outstanding and other liabilities. Amounts payable to the primary government or to other component units should be reported separately.
- Total net assets – distinguishing between restricted, unrestricted, and amounts invested in capital assets, net of related debt.

Condensed statement of activities:

- Expenses (by major functions and for depreciation expense, if separately reported).
- Program revenues (by type).
- Net program (expense) revenue.
- Tax revenues.
- Other nontax general revenues.
- Contributions to endowments and permanent fund principal.
- Special and extraordinary items.
- Change in net assets.
- Beginning net assets.
- Ending net assets.

Also, disclose (for each major component units) the nature and amount of significant transactions with the primary government and other component units.

Include information (addresses) where the complete financial statements of individual component units can be obtained.

List the related organizations (organizations for which the reporting entity is accountable because it appoints a voting majority of the board but is not financially accountable). Disclose the nature of city/town/district's accountability. The following example is intended to help you to describe your circumstances:

> The (city/county/district) is also responsible for appointing the members of the board of (organization name), but the accountability for this organization does not extend beyond making the appointments. In _____, the (city/county/district) appropriated operating grant of $_____ to the (organization name).

Also list the organizations that are excluded from the combined financial statements.

If there are significant (in relation to the total component units column) long-term debt of any component unit, the disclosure of the debt service requirements to maturity should be made.

Additional note disclosures may be needed if the accounting policies or the fiscal year of the component unit differ from those of your government.

11 The city/county/district is not required to allocate the indirect expenses to other functions. However, some cities/counties/districts may prefer to do so or use a full-cost allocation approach among functions. Some cities/counties/districts may charge funds or programs (through internal service funds or the General Fund) for “centralized” expenses, which may include an administrative overhead component. Governments are not required to identify and eliminate these administrative charges, but they should disclose the policy for their allocation.

49 List and describe other major governmental funds.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government (and its component units). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. (Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate/not to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financials statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the (city/county/district) considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the (city/county/district).

The (city/county/district) reports the following major governmental funds:

The general (or current expense) fund is the (city/county/district's) operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
1	List and describe all proprietary major funds.
5	Describe the services provided by the internal service fund(s).
13	Adjust this paragraph appropriately.
31	Define the operating revenues.

NOTES TO FINANCIAL STATEMENTS
SAMPLE TEXT

The (city/county/district) reports the following major proprietary funds:

Additionally, the (city/county/district) reports the following fund types:

Internal service funds account for _____ and _____provided to other departments or agencies of the (city/county/district), or to other (cities/counties/districts), on a cost reimbursement basis.

The private-purpose trust fund is used to account for _____.

The pension and other employee benefit trust fund is used to account for _____.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The (city/county/district) has elected not to follow subsequent private-sector guidance.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are _____.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the _____ are _____. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the (city/county/district)'s policy to use (restricted/unrestricted) resources first, then (unrestricted/restricted) resources as needed.

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
5	List the funds for which the city/county/district prepares budgets and the accounting bases used in these budgets.
39	List the funds and amounts of overspending. Also, explain how the expenditures were funded. You can provide this information either here or as a separate note. (See Note 3 – Stewardship, Compliance and Accountability).
44	If any of the funds of the city/county/district had deficit fund equity at the year end, disclose the amount of the deficit, reason for it, and the expected means of eliminating this deficit. You can provide this information either here or as a separate note. (See Note 3 – Stewardship, Compliance and Accountability).

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for _____ funds on the _____ basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Other budgets are adopted at the level of the fund, except in the General (Current Expense) Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end (,except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

2. Amending the Budget

The (city manager/county auditor/finance director/mayor) is authorized to transfer budgeted amounts between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of (a fund/the city/the county), or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the (city/county) (council/commission).

When (city/county) (council/commission) determines that it is in the best interest of the (city/county) to increase or decrease the appropriation for a particular (fund/department/ object class), it may do so by (ordinance/resolution) approved by one more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures Over Appropriations

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes to Preparer.)

4. Deficit Fund Equity

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes to Preparer.)

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the (city/county/district)'s policy to invest all temporary cash surpluses. At December 31, ____, the treasurer was holding $ _____ in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is (prorated to the various funds/credited to the General/Current Expense Fund).

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during (year) were approximately $ _____.

For purposes of the statement of cash flows, the (city/county/district)'s considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Temporary Investments - See Note __ (Investment Note No.).

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Property Taxes Note No.). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, ____, $_____ of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Amounts Due to and from Other Funds and Governmental Units, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A separate schedule of interfund loans receivable and payable is furnished in Note __ (Interfund Balances and Transfers Note No.).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

42 If city/county/district uses modified approach for reporting eligible infrastructure assets, then describe the approach (i.e., types of assets, etc.).

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are (purchased/consumed). The reserve for inventory is equal to the (average/ending) amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the (FIFO/LIFO/weighted average) method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities are shown as *Payables from Restricted Assets*. Specific debt service reserve requirements are described in Note __ (Long-Term Debt and Leases Note No.).

The restricted assets of the enterprise funds are composed of the following:

Special Assessments - Current	$ _____
Special Assessments - Delinquent	$ _____
Cash and Investments - Debt Service	$ _____
Cash and Investments - Construction	$ _____
_____ _____	$ _____

7. Capital Assets See Note __ (Capital Assets and Depreciation Note No.).

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the (city/county/district) as assets with an initial, individual cost of more than $_____ and an estimated useful life in excess of ____ years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the (city/county/district) during the current fiscal year is $_____. Of this amount, $_____ was included as part of the cost of capital assets under construction in connection with _____ projects.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the _____ method over the following estimated useful lives:

5 Only sick leave which is a part of retirement or termination benefit should be disclosed in this note (GASB Statement 16).

Describe the policy regarding sick leave. For example:

(Upon resignation or retirement, any outstanding sick leave is lost.)

(If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to thirty days, at one-half his or her final pay rate.)

(The (city/town/district) allows (unlimited/up to _____) accumulation of sick leave. Upon separation or retirement, employees do not receive any payment for unused sick leave. However, employees eligible for full retirement benefits may use their unused sick leave toward determining their length of service for purpose of determining their retirement benefits.)

20 The city/county/district may disclose the separate component of the liability for deferred revenue reported on the governmental funds balance sheet.

32 Include other disclosure which may be necessary (e.g., comparative data column, reclassification of data, etc.).

Assets	Years

8. Other Property and Investments See Note __ (Deposits and Investments Note No.).

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation pay, which may be accumulated up to (maximum days or weeks), is payable upon resignation, retirement or death.

10. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

11. Long-Term Debt See Note __ (Long-Term Debt and Leases Note No.).

12. Deferred Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria has not been met.

13. Fund Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

14. Other

SAMPLE TEXT LINE NO.	NOTES TO PREPARER
6	List all the elements from the reconciliation provided in/or after the city/county/district governmental funds' balance sheet and provide details for each reconciling item.
13	List all the elements from the reconciliation provided in/after the city/county/district governmental funds' statement of revenues, expenditures, and changes in fund balance and provide details for each reconciling item.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds' balance sheet includes a reconciliation between fund balance – total governmental funds and net assets–governmental activities as reported in the government-wide statement of net assets.

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

3 If there was a violation of finance-related legal or contractual provisions the city/county/district should disclose both the description of the violation(s) and the action(s) taken to address the violation(s).

Example:

At December 31, 2000, the following funds reported deficits in the fund balances or fund net assets, which are violations of state statute:

Fund	Deficit
	$
	$

The city/county/district took the following action to eliminate the deficits in the fund(s):

Example:

The (city/county/district) was not in compliance with (identify the material violations of finance-related legal or contractual provisions, such as bond covenants or grant terms). The (city/county/district) has (describe actions, agreements, or other steps taken to resolve the issue).

Some of this information maybe a part of the first note. (See Note 1 – Summary of Significant Accounting Policies – part D, Budgeting Information.) In any case, avoid duplication.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

List all other types of investments made during the fiscal year with a reference to the legal provision for each type of investment made. Authorized investments and legal references listed in Part 3, Chapter 6.

16 Disclose the following:

a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.

b. The policy for determining which investments, if any, are reported at amortized cost.

c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares.

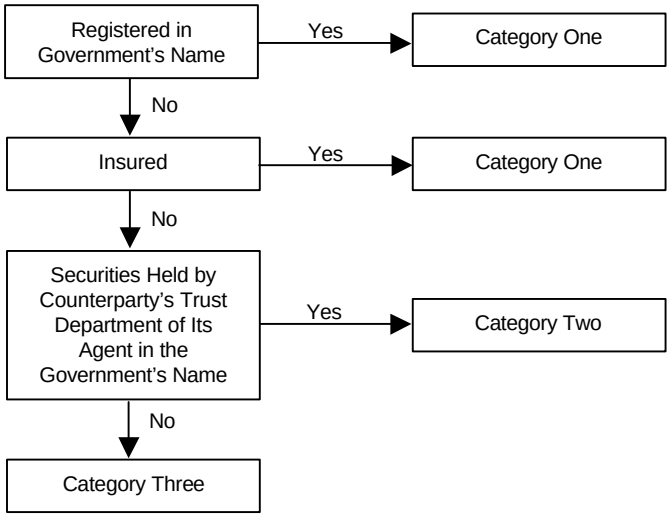
d. Any involuntary participation in an external investment pool.

e. If local government cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate.

f. Any income from investments associated with one fund that is assigned to another fund.

(For more details, see the GASB Statement 31.)

20-28 Categorize the risk of investment as follows:



If the local government's category three investments at any time during the year materially exceeded the amounts categorized as such as of the balance sheet date, this fact should be disclosed and explained.

If the investments applicable to discretely presented components units are considered to be material in relation to the reporting entity as a whole, the categorization of investments should distinguish between the primary government and discretely presented components units.

Disclosures required by GASB Statement 3 should also be made for securities lending collaterals that are reported on the balance sheet and for the underlying securities.

NOTE: Include all investments not evidenced by securities that exist in physical or book-entry form.

Also disclose any exception to the local government investment policy.

(Note continued on Page 26.)

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

The (city/county/district)'s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

INVESTMENTS

As required by state law, all investments of the (city/county/district)'s funds (except as noted below) are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, (the State Treasurer's Investment Pool,) (bankers' acceptances,) or certificates of deposit with Washington State banks and savings and loan institutions. (Investments of (pension/private-purpose) trust funds are not subject to the preceding limitations.) All temporary investments are stated at _____. Other property and investments are shown on the balance sheet at _____.

(Other property consists of real estate held (for the production of (rental) income) ((and/or) for future use).)

The (city/county/district)'s investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the (city/county/district)'s investments at year end categorized by risk. Category 1 includes investments that are either insured, registered or held by the (city/county/district) or its agent in the (city/county/district)'s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the (city/county/district)'s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent, but not in the (city/county/district)'s name.

	Category			
	1	**2**	**3**	**Total**
Repurchase Agreements	$	$	$	$
U.S. Government Securities				
Bankers' Acceptances				
Other Investments - list by type	_____	_____	_____	_____
	$_____	$_____	$_____	
Investments not Subject to Categorization:				
Investment in State Treasurer's Investment Pool				
Reverse Repurchase Agreements				
Other Investments - list by type				_____
Total Investments				$_____

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the (city/county/district)'s policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. Such matching existed at the year end.

1 Derivatives are generally defined as contracts whose value depends on, or *derives* from, the value of an underlying asset, reference date, or index. For more information see GASB Technical Bulletin *Disclosures about Derivatives and Similar Debt and Investment Transactions*.

This disclosure is necessary if the city/county/district has used, held, or sold any derivatives or similar instruments during the period covered by the financial statements, or if the city/county/district participated in an investment pool or mutual fund that used, held, or sold derivatives during the period, regardless of whether the assets or liabilities resulting from those transactions are reported on the balance sheet.

The note should include:

- nature of transaction,
- reason for entering into transaction,
- discussion of city/county/district exposure to credit risk, market risk, and legal risk (the discussion of risk should be made only to the extent that these risks are above and beyond those risks that are apparent in the financial statements or are otherwise disclosed in the notes to financial statements),
- if information about derivatives in investment pools or mutual funds is not available, that fact should be disclosed.

5 If in the period covered by the financial statements, the city/county/district participated in the securities lending transactions, the following information should be disclosed:

① source of legal or contractual authorization for the securities lending transactions;

② general description of the securities lending transactions;
- ✓ type of securities lent,
- ✓ type of collateral received,
- ✓ whether the government has the ability to pledge or sell collateral securities without a borrower default,
- ✓ the amount by which the value of the collateral provided is required to exceed the value of underlying securities,
- ✓ any restrictions on the amount of the loans that can be made,
- ✓ any loss indemnification (i.e., a securities lending agent's guarantee that it will protect the lender from certain losses),
- ✓ fair values of underlying securities at the balance sheet date;

③ whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the balance sheet date;

④ the amount of credit risk, if any, related to the securities lending transactions (if the lender has not credit risk, that fact should be stated);

⑤ the amount of any losses on the securities lending transactions during the period resulting from the default of a borrower or lending agent and amounts recovered from prior period losses, if not separately disclosed in the operating statement.

(For more details, see the GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*)

9 Local government may disclose realized gains and losses computed as the difference between the proceeds of the sale and the original cost of the investments sold. They also should disclose that:

a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.
b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

(For more details, see the GASB Statement 31.)

Derivates And Similar Transactions

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Note to Preparer.)

Securities Lending

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Note to Preparer.)

Gains And Losses On Investments

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Note to Preparer.)

6 If the city/county/district records all levies as revenues, should use the following paragraph instead:

> Property taxes are recorded as a receivable and revenue when levied. Most property taxes are collected during the year of levy, and delinquent taxes are immaterial. Prior year tax levies were recorded using the same principle, and delinquent taxes receivable are reevaluated annually.

7 Cities must recognize property taxes already in the hands of the county treasurer. If December taxes have been distributed by December 31, and you do not accrue estimated collections for January and February, use the following sentence.

> Property tax revenues are recognized when cash is collected. The amount of taxes receivable at year-end that would be collected soon enough to be available to pay liabilities of the current period is immaterial.

9 Counties should add the following sentence in front of the sentence that begins, "No allowance for . . . ."

> The balance of taxes receivable includes related interest and penalties.

9 If the city/county/district estimates uncollectible taxes, use the following paragraph instead:

> Property taxes receivable are reduced by an allowance for uncollectible taxes which is estimated at __ percent of (total/personal) property taxes receivable at year-end.

Cities with Firemen's Pension funds should add the following paragraph IF the levy is restricted to the firemen's pension fund. If the levy is NOT restricted, it should be

> The city is also authorized to levy $.50 per $1,000 of assessed valuation for the firemen's pension fund. (See Note __ (Pension Note No.). This levy is subject to the same limitations as the levy for general government services. The city's firemen's pension levy for (year) was $_____ per $1,000 for a total levy of $_____.

23 Counties should add the following paragraph and may wish to supplement the note with disclosure of any "diverted road levy."

> The county is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy for (year) was $_____ per $1,000 on an assessed valuation of $_____ (billion/million) for a total road levy of $_____.

23 If your government has any special levies, they should be disclosed separately.

> Special levies approved by the voters are not subject to the limitations listed above. In (year), the (city/county/district) levied an additional $_____ per $1,000 for (give purpose) for a total additional levy of $_____.

(Note continued on Page 30.)

NOTE 5 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

In governmental funds, property taxes are recorded as a receivable when levied, offset by a deferred revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for (collections to be distributed by the county treasurer in January/collections expected to occur within 60 days). No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The (city/county/district) may levy up to $_____ per $1,000 of assessed valuation for general governmental services, subject to two limitations:

a. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to six percent per year, after adjustments for new construction. If the assessed valuation increases by more than six percent due to revaluation, the levy rate will be decreased.

b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or $10 per $l,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

The (city/county/district)'s regular levy for (year) was $_____ per $1,000 on an assessed valuation of $_____ (billion/million) for a total regular levy of $_____.

23 If the city/county/district has several special levies or wishes to disclose the distribution of its tax levies, the following note format may be used instead of the last paragraph of the sample text:

For (year), the (city/county/district) levied the following property taxes on an assessed value of $_____ (million/billion). (The special levies identified in the table were approved by the voters and are not subject to the limitations listed above.)

Purpose of Levy	Levy Rate per $1,000	Total Levy Amount
General Government	$	$
Road Levy (on the assessed value of unincorporated areas totaling $____ billion)		
Special Medic 1 Levy		
Special G.O. Bond Levy		
Totals	$	$

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NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

A. Capital Assets

Capital assets activity for the year ended December 31, ____ was as follows:

Governmental Activities	**Beginning Balance 01/01/__**	**Increases**	**Decreases**	**Ending Balance 12/31/__**
Capital assets, not being depreciated:				
Land				
Construction in progress				
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total accumulated depreciation				
Total capital assets, being depreciated, net				
Governmental activities capital assets, net				

1 Adjust the functions accordingly.

Business-Type Activities:	**Beginning Balance 01/01/__**	**Increases**	**Decreases**	**Ending Balance 12/31/__**
Capital assets, not being depreciated:				
Land				
Construction in progress				
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Infrastructure				
Total accumulated depreciation				
Total capital assets, being depreciated, net				
Business-type activities capital assets, net				

1 Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$
Judicial	
Physical Environment	
Economic Environment	
Health and Human Services	
Transportation	
Total Depreciation – Governmental Activities	$

Business-Type Activities:	
Utilities	$
Total Depreciation – Business-Type Activities	$

1	Describe the collection(s) and reason(s) for not capitalizing collections. If collections are capitalized, provide same information as for other capital assets (see part A of this note).
11-12	Describe the financing arrangements for each project.
15	Provide the same information and level of details about capital assets for the discretely presented component units.

B. Collections Not Capitalized

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes to Preparer.)

C. Construction Commitments

The (city/county/district) has active construction projects as of December 31, ____. The projects include: _____.

At year-end the government's commitments with contractors are as follows:

Project	Spend to Date	Remaining Commitment
	$	$
	$	$

D. Discretely Presented Component Unit(s)

The SAMPLE TEXT illustrates the disclosures required from an employer reporting participation in a cost-sharing, multiple-employer defined benefit retirement plan according to GASB Statement 27. The pension trust funds are reported according to GASB Statement 25. Modify applicable sentences and boxes appropriately.

NOTE 7 - PENSION PLANS

Substantially all (city/county/district) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement System (PERS) Plans 1 and 2

Plan Description

PERS is a cost-sharing multiple-employer retirement system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. The PERS system includes two defined benefit pension plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service. Retirement benefit provisions are established in state statute and may be amended only by the state legislature.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to 65 receive reduced benefits. If retirement is at age 55 with 30 years of service, a 3 percent per year reduction applies, otherwise an actuarial reduction will apply. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

There are 1,177 participating employers in PERS. Membership in PERS consisted of the following at December 31, 2000:

Retirees and Beneficiaries Receiving Benefits	61,088
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	17,314
Active Plan Members Vested	98,018
Active Plan Members Nonvested	54,243
Total	**230,663**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level established by state law. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2001, were:

	PERS Plan 1	PERS Plan 2
Employer	1.77% *	1.77% *
Employee	6.00%	0.88%

* The employer rates include the employer administrative expense fee currently set at 0.23%.

Both (city/county/district) and the employees made the required contributions. The (city/county/district)'s required contributions for the years ending December 31 were:

	PERS Plan 1	PERS Plan 2
2001	$	$
2000	$	$
1999	$	$

Law Enforcement Officers' And Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system. Membership in the system includes all full time, fully compensated, local law enforcement officers and fire fighters. LEOFF is comprised primarily of non-state employees. The LEOFF system includes two defined benefit pension plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and state contributions. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service. Retirement benefit provisions are established in state statute and may be amended only by the state legislature.

Plan 1 members are eligible to retire with five years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at three percent annually:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

Plan 2 members are eligible to retire at age 50 with 20 years of service, or at age 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced 3 percent for each year that the benefit commences prior to age 53. The benefit is two percent of average salary per year of service. The average salary is based on the highest consecutive 60 months. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

There are 362 participating employers in LEOFF. Membership in LEOFF consisted of the following at December 31, 2000:

Retirees and Beneficiaries Receiving Benefits	7,923
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	279
Active Plan Members Vested	10,680
Active Plan Members Nonvested	3,952
Total	**22,834**

26 For more details regarding the note disclosure for the pension trust fund see the GASB Statement 25, Sections 32-40.

A. Plan description

1. Identification of the plan (e.g., single-employer, cost-sharing multiple-employer defined benefit pension plan) and disclosure of the number of participating employers and other contributing entities.

2. Classes of employees covered (e.g., general employees and public safety employees) and the current membership, including the number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members. If the plan is closed to new entrants, that fact should be disclosed.

3. Brief description of benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended.

B. Summary of significant accounting policies

1. Basis of accounting, including the policy with respect to the recognition in the financial statements of contributions, benefits paid, and refunds paid.

2. Brief description of how the fair value of investments is determined.

C. Contributions and reserves

1. Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities are established or may be amended.

2. Funding policy, including a brief description of how the contributions of the plan members, employer(s), and other contributing entities are determined (e.g., by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed.

3. Required contribution rates of active plan members, in accordance with the funding policy.

4. Brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date.

5. The balances in the plan's legally required reserves at the reporting date. Amounts of net assets designated by the plan's governing body for a specific purpose(s) also may be disclosed but should be captioned *designations*, rather than *reserves*. Also include a brief description of the purpose of each reserve and designation disclosed and whether the reserve is fully funded.

D. Concentration—Identification of investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent five percent or more of plan net assets.

Funding Policy

Plan 1 employer and employee contribution rates are established by statute, and the state is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee rates for Plan 2 are set by the director of the Department of Retirement systems based on recommendations by the Office of the State Actuary to continue to fully fund the plan. Plan 2 employers and employees are required to contribute at the level required by state law. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2001, were:

	LEOFF Plan 1	LEOFF Plan 2
Employer	0.23% *	2.93% *
Employee	0.00%	4.50%
State	N/a	1.80%

* The employer rates include the employer administrative expense fee currently set at 0.23%.

Both (city/county/district) and the employees made the required contributions. The (city/county/district)'s required contributions for the years ending December 31 were:

	LEOFF Plan 1	LEOFF Plan 2
2001	$	$
2000	$	$
1999	$	$

Other Retirement Systems - Volunteer Fire Fighters' Relief And Pension Fund

The Volunteer Fire Fighters' Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of $30 per year; employer contributions of $30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. However, members may elect to withdraw their contributions upon termination.

Local Governments Pension And Other Employee Benefit Trust Funds

(No SAMPLE TEXT is provided because the circumstances will be unique in each case.)

Supplementary Information

If the financial statements and required schedules are not publicly available in a stand-alone plan financial report, the (city/county/district) should present:

1. Schedule of funding progress;
2. Schedule of employer contributions.

Normally, both schedules should be prepared for six years. But for transition year and the following five years, the schedules should include information for as many years as information according to parameters set by the GASB Statement 25 is available.

1. Schedule of Funding Progress

The schedule should include:

- the actuarial valuation date,
- the actuarial value of plan assets,
- the actuarial accured liability,
- the total unfunded actuarial liability,
- the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio),
- the annual covered payroll,
- the ratio of the unfudned actuarial liability to annual covered payroll.

2. Schedule of Employer Contributions (and Other Contributing Entities)

- the dollar amount of employer annual required contribution (ARC),
- the percentage of that ARC that was recognized in the plan's statement of changes in net assets for that year as contribution from employer,
- contributions from other sources (e.g., state, etc.), if any.

Notes to schedules should include:

- identification of actuarial method and significant assumptions used for the most recent year (e.g., actuarial cost method, the method(s) used to determine the actuarial value of assets, inflation rate, investment return, projected salary increases, postretirement benefits increases),

- the amortization method and period and whether the period is closed or open,

  (Note: Plans that use the aggregate actuarial cost method should disclose that the method does not identify or separately amortize unfunded actuarial liability.)

- factors that significantly affect the amounts reported in schedules (e.g., changes in benefit provisions, size/population covered by plan, actuarial method/assumptions used).

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If the government is a member of a public entity risk pool, insert a note provided to the city/county/district by the risk pool.

If the government retains risk (either fully or partially), the following information should be disclosed:

- description of risk to which city/county/district is exposed (e.g., torts, thefts, damages, injuries to employees, natural disasters, etc.)
- how those risks are handled (e.g., purchase of commercial insurance, full or partial retention, etc.)

For the self-insurance portion the city/county/district should disclose:

- fund(s) used to account for risk management,
- level of risk assumed,
- expected annual level of claims (based on actuarial or historical cost information),
- amount of reserves set aside for potential losses.

For the third party (e.g., commercial insurance) the city/county/district should disclose:

- name of insurer(s),
- type of coverage,

  deductible amounts.

NOTE 8 - RISK MANAGEMENT

(No SAMPLE TEXT is provided because the circumstances will be unique in each case.)

The city/county/district should provide the information about short-term debt activities (e.g., anticipation notes, use of line of credit and similar loans, etc.) during year, even if not short-term debt is outstanding at the year end.

The city/county/district should describe the purpose for which the short-term debt was issued.

NOTE 9 - SHORT-TERM DEBT

Short-term activities for the year ended December 31, ____ was as follows:

Debt	Beginning Balance 01/01/__	Issued	Redeemed	Ending Balance 12/31/__
$_____	$_____	$_____	$_____	$_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

If conduit (no-commitment) debt is reported on the balance sheet, it needs to be included in all long-term disclosures.

Include all of the portions of the Schedule of Long-Term Debt (09), except debt of special purpose districts accounted for by counties.

Although Schedule of Limitation of Indebtedness (10) shows the detailed calculation of the limitation of indebtedness, note disclosure should identify the amount or percent of debt capacity used or remaining. Be sure to include only the purposes allowable for your government.

15, 23 The interest for variable-rate debt should be computed using rate effective at year end. The government should also disclose the terms by which interest rates for variable-debt change.

* Use five-year increments thereafter.

NOTE 10 - LONG-TERM DEBT AND LEASES

A. Long-Term Debt

The (city/county/district) issues general obligation and revenue bonds to finance the purchase of _____ and the acquisition or construction of _____. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The (city/county/district) is also liable for notes that were entered into for the purchase of _____. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
		$
		$
Total		$

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
20__	$	$	$	$
20__				
20__				
20__				
20__				
* 20__ - 20__				
Total	$	$	$	$

The revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
		$
		$
Total		$

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
20__	$	$
20__		
20__		
20__		
20__		
* 20__ - 20__		
Total	$	$

1-3 If the government displays general long-term or special assessment debt net of premium or discount, you need to modify this paragraph to disclose your policy. You need to make a similar disclosure if the government capitalizes debt issue costs (rather than showing them as a current expenditure when paid, or netting proceeds of long-term debt) for general debt.

In proprietary funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, ____, the (city/county/district) has $_____ available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain $_____ in sinking funds and reserves as required by bond indentures.

B. Changes in Long-Term Liabilities

During the year ended December 31, ____, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/__	**Additions**	**Reductions**	**Ending Balance 12/31/__**	**Due Within One Year**
Governmental Activities:					
Bonds payable: General obligation bonds Special assessment debt with government commitment	$	$	$	$	$
Less deferred amounts: For issuance discounts On refunding					
Total bonds payable:					
Capital leases					
Claims and judgments					
Compensated absences					
Governmental activity long-term liabilities:					
Business-Type Activities:					
Bonds payable: General obligation bonds Revenue bonds					
Less deferred amounts: For issuance discounts					
On refunding					
Total bonds payable:					
Capital leases					
Compensated absences					
Business-type activity long-term liabilities:					

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end $_____ of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

1-9 The city/county/district that issues debt to defease or otherwise extinguish existing obligations should provide this disclosure in the year of transaction. In the periods following an advance refunding in which the old debt is still outstanding the city/county/district would make the following disclosure:

> In prior years the (city/county/district) defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the (city/county/district)'s financial statements. At December 31, _____, $_____ of bonds outstanding are considered defeased.

The economic gain or loss on a refunding transaction is calculated in the following manner:

- The present value of the debt service payments related to the refunding debt is calculated using the following formula:

  Face amount of bonds
  + Premium (or - original issue discount)
  + Accrued interest
  - Costs not recoverable through escrow earnings
  _____

  Present value of debt service payments on refunding debt;

- A calculation is made to determine what effective interest rate applied to the debt service payments on the *refunding* bonds would result in the present value determined in the previous calculation;

- The effective interest rate calculated for the refunding bonds is then applied to the debt service on the *refunded* bonds to calculate the present value of debt service on the latter;

- The difference between the present value of the two debt service streams (refunding debt and refunded debt) constitutes the economic gain or loss on the transaction.

Any amounts of debt defeased “in substance,” but still outstanding as of the end of each fiscal year, should be disclosed in the notes.

11 *Conduit (no-commitment) debt* obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer’s financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. (GASB Interpretation 2)

If conduit debt is reported on the balance sheet, it needs to be included in all long-term disclosures.

Otherwise, the city/county/district should disclose:

- General description of transactions.

- Aggregate amount of all conduit debt obligations outstanding at the balance sheet date. If the amount of debt issued prior to January 1, 1996 (or prior to the date of implementation of GASB Interpretation 2) is not determinable or cannot be reasonably estimated, the city/county/district may provide the aggregate original issue amount.

- A clear indication that the city/county/district has no obligation for the debt beyond the resources provided by related leases or loans.

26 Specify the purpose of the city/county/district lease agreement.

* Use five-year increments thereafter.

C. Refunded Debt

The (city/county/district) issued $_____ of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $_____ of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next _____ years by $_____ and resulted in an economic gain of $_____.

D. Conduit Debt

(No SAMPLE TEXT will be provided because each circumstance will be unique.)

E. Leases

1. Operating Leases

The (city/county/district) leases the office building and other equipment under noncancelable operating leases. Total cost for such leases was $_____ for the year ended December 31, ____. The future minimum lease payments for these leases are as follows:

Year Ended December 31	Amount
20__	$
20__	
20__	
20__	
20__	
20__ - 20__	
Total	$

2. Capital Leases

The (city/county/district) has entered into a lease agreement for financing _____ with a down payment of $_____.

These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
	$	$
Less Accumulated Depreciation	$	$
Total	$	$

```
*              Use five-year increments thereafter.
```

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, ____ were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
20__	$	$
20__		
20__		
20__		
20__		
* 20__ - 20__		
Total Minimum Lease Payments	$	$
Less: Interest	$	$
Present Value of Minimum Lease Payments	$	$

1-15 For a definition of contingencies, see the GLOSSARY. Litigation is simply one (prevalent) type of contingency. Other types of contingencies include encumbrances, guarantees, the pledge of the government's "full faith and credit" on G.O. debt intended to be financed by enterprise revenues, and various types of uncompleted contracts where the city/county/district is obligated to perform. All significant contingencies should be disclosed in the notes. In addition, contingencies for which it is probable that the city/county/district will incur a loss should be accrued as liabilities, as should all claims and judgments.

If the city/county/district does not have any significant contingencies, replace the first sentence, the entire first paragraph, or the entire note of the SAMPLE TEXT with the following:

> The (city/county/district)'s financial statements include all material liabilities. There are no material contingent liabilities to record.

If a lawsuit has been settled adversely and is not currently under appeal, your government's liability should be disclosed together with changes in long-term liabilities in the long-term note rather than here.

Where the uninsured risk to the city/county/district from individual lawsuits is minor, the disclosure illustrated in the SAMPLE TEXT is adequate. However, if there are major lawsuits pending against your government or material disputed contracts, specific disclosure of the issues and the present status of each case (including the range of possible loss, if estimable) is required. BE SURE TO CONSULT WITH YOUR ATTORNEY AND AUDITOR FOR APPROPRIATE WORDING OF THE DISCLOSURE.

NOTE 11 - CONTINGENCIES AND LITIGATIONS

The (city/county/district) has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the (city/county/district) will have to make payment. In the opinion of management, the (city/county/district)'s (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

As discussed in Note __ (Long-Term Debt and Lease Note No.), the (city/county/district) is contingently liable for repayment of refunded debt.

The (city/county/district) participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. (Other than the instances described above,) (city/county/district) management believes that such disallowances, if any, will be immaterial.

3-12 List all major funds (governmental and enterprise). List other funds (non-major governmental, non-major enterprise, internal service funds and fiduciary fund type) in aggregate for each category. Some of these transfers may be immaterial so aggregate them into a single column or row titled "All Others."

Also, explain the purpose for the interfund balance and disclose which interfund balances are not expected to be repaid within one year from the date of financial statements.

10-12 Provide a general description of the principal purpose of the governments interfund transfers. Provide a detail description of the purpose for significant transfers. A transfer is considered significant if it meets either or both of the following criteria:

1. Does not occur on a routine basis, and/or
2. It is inconsistent with the activities of the fund making the transfer.

NOTE 12 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, ____ were as follows:

	Due From						
Due To		General Fund				All Others	Total
	General Fund	$					$
	Total	$					$

B. Interfund Transfers

Interfund transfers at December 31, ____ were as follows:

	Transfer From						
Transfer To		General Fund				All Others	Total
	General Fund	$					$
	Total	$					$

Provide these details only if the significant components of receivables have been obscured by aggregations.

NOTE 13 – RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, ____ were as follows:

	Accounts	Taxes	Special Assessments	Due to Other Government	Other	Total
Governmental Activities:						
Total Governmental Activities						
Amounts not scheduled for collection during the subsequent year						
Business-Type Activities:						
Total Business-Type Activities						

Provide these details only if the significant components of payables have been obscured by aggregations.

B. Payables

Payables at December 31, ____ were as follows:

	Vendors	Salaries and Benefits				Total
Governmental Activities:						
Reconciliation of balances in fund financial statements to government-wide financial statements						
Total Governmental Activities						
Business-Type Activities:						
Total Business-Type Activities						

The city/county/district that reports enterprise funds or that uses enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities. For purposes of this disclosure, a segment is an identifiable activity reported as or within an enterprise fund or an other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified. Segment disclosure requirements should be met by providing condensed financial statement in the notes:

a. Type of goods or services provided by the segment.

b. Condensed statement of net assets:
   (1) Total assets-distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or component units should be reported separately.
   (2) Total liabilities-distinguishing between current and long-term amounts. Amounts payable to other funds or component units should be reported separately.
   (3) Total net assets-distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

c. Condensed statement of revenues, expenses, and changes in net assets:
   (1) Operating revenues (by major source).
   (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
   (3) Operating income (loss).
   (4) Nonoperating revenues (expenses)-with separate reporting of major revenues and expenses.
   (5) Capital contributions and additions to permanent and term endowments.
   (6) Special and extraordinary items.
   (7) Transfers.
   (8) Change in net assets.
   (9) Beginning net assets.
   (10) Ending net assets.

d. Condensed statement of cash flows:
   (1) Net cash provided (used) by:
      (a) Operating activities.
      (b) Noncapital financing activities.
      (c) Capital and related financing activities.
      (d) Investing activities.
   (2) Beginning cash and cash equivalent balances.
   (3) Ending cash and cash equivalent balances.

NOTE 14 - SEGMENT INFORMATION

(See NOTES TO PREPARER.)

The new rules for disclosures for the joint ventures (set by GASB Statement 14) are effective for financial statements for periods beginning after December 15, 1992. The definition of joint ventures and accounting methods are discussed in Part 3, Chapter 5.

The requirements listed below are necessary regardless of whether or not there is equity interest.

The note should provide the following information:

1. General description of the joint venture including:

    a. Information about ongoing financial interest or ongoing financial responsibility,

    b. If applicable, information about equity interest,

    c. Information regarding the performance of the joint venture to help users evaluate if the joint venture may cause additional benefit or burden to the participating entity in the future.

2. Information about availability of separate financial statements of the joint ventures (addresses).

The participating entity should also disclose information regarding related party transactions.

Due to the uniqueness of each joint venture we are not able to provide notes for every possible situation. The following sample note depicts all requirements for the joint venture disclosure and should be used as guidance.

> The Sample County and Example City operate jointly the Consolidated Computer Center (CCC). The CCC provides data processing services for the county and city. The Center is governed by a four-member board composed of two appointees from the county and two from the city.
>
> The Sample County and the Example City are obligated to remit $150,000 annually to supplement the CCC's operating revenues. Each participant is entitled to one-half of the CCC's annual operating income. On dissolution of the joint venture, the net assets will be shared equally between the county and city.
>
> The Sample County's equity interest in the CCC was $1,200,000 on December 31, 19XX.
>
> In 19XX the CCC reported $600,000 in operating income and remitted $300,000 to the Sample County. The county's net investment and its share of operating results are reported in county's computer systems fund (an enterprise fund).
>
> Complete financial statements for the CCC can be obtained from the CCC's administrative office at (address) or from the county clerk's office at the courthouse.

NOTE 15 - JOINT VENTURES

(No SAMPLE TEXT is provided because each circumstances will be unique in each case.)

Postretirement Benefits Other Than Pension Benefit

Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits financed through FICA payroll taxes. However, if the employer pays postretirement contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant disclosures. Whether a particular type of benefits should be consider pension benefits or OPEB depends on how the benefit is provided.

The provisions of GASB Statement 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, are effective for fiscal years beginning after June 15, 1990.

The note should be made for the entity as a whole, but if aggregate disclosure would be misleading, additional separate disclosures should be made for fund types or component units.

4 Statue, contract, etc.

4 Participants currently eligible for benefits are retirees, terminated employees, and beneficiaries for whom the entity is currently responsible for paying all or part of the premiums, contributions, or claims. Covered dependents should be counted as one unit with the participant.

8-11 Describe the entity's and participants' obligation to contribute. The information must be quantified (percentage, dollars contributions rates, etc.).

13 If OPEB are advance-funded on an actuarially determined basis, the employer should disclose the actuarial cost method and significant actuarial assumptions (including the interest rate, and, if applicable, the projected salary increase and the health inflation assumptions) used to determine funding requirements, and the method used to value plan assets.

17 The amount should be net of participant contributions. If the benefit payments cannot be readily separated from expenditures/expenses for similar types of benefits provided to active employees and their dependents, the entity may use reasonable methods to approximate the OPEB expenditures/expenses. If this is not possible, the Note should disclose that the OPEB expenditures/expenses can not be reasonably estimated.

If OPEB are advance-funded on an actuarially determined basis additional information should be provided in this paragraph:

- the number of active plan participants,
- the entity's actuarially required and actual contributions for the period (net of participants contributions),
- the amount of the net assets available for the OPEB,
- the actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use.

19-20 Describe any significant matters that affected the comparability of the current year data with the previous periods.

Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB should also be disclosed.

NOTE 16 - POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note ____, the (city/county/district) provides postretirement health care benefits, in accordance with (authority under which the benefit is provided) to (number, category) employees who (description of eligibility for the benefits). Currently, (number) retirees meet those eligibility requirements.

The (city/county/district) reimburses ____ percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The (city/county/district) also reimburses a fixed amount of $_____ per month for a Medicare supplement for each retiree eligible for Medicare.

Employer contributions are financed on pay-as-you-go basis. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the (city/county/district).

During the year, expenditures of $_____ were recognized for postretirement health care.

Approximately $_____ of the $_____ increase in expenditures over the previous year was caused by the addition of dental benefits, effective (date).

1 The following disclosures are required for all fund types and entities owning and operating the municipal solid waste landfills.

1. The nature and source of landfill closure and postclosure care requirements (federal, state, or local laws or regulations).

2. That recognition of a liability for closure and postclosure care costs is based on landfill capacity used to date.

3. The reported liability for closure and postclosure care at the balance sheet date (if not apparent from the financial statements) and the estimated total current cost of closure and postclosure care remaining to be recognized.

4. The percentage of landfill capacity used to date and estimated remaining landfill life in years.

5. How closure and postclosure care financial assurance requirements, if any, are being met. Also, any assets restricted for payment of closure and postclosure care costs (if not apparent from the financial statements).

6. The nature of the estimates and the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

For the sample text refer to the GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost*, Appendix D.

NOTE 17 - CLOSURE AND POSTCLOSURE CARE COST

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes To Preparer.)

3 Prior Period Adjustments

Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and (b) in enterprise funds only, other material adjustments which meet the criteria for prior period adjustments contained in the prescribed system of accounts. The circumstances surrounding each such adjustment should be separately explained in these footnotes.

7 Accounting and Reporting Changes

Changes in accounting principle, in estimates and in the reporting entity should be discussed in this note. The circumstances surrounding each such change should be separately explained.

NOTE 18 - OTHER DISCLOSURES

A. Prior Period Adjustments

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes To Preparer.)

B. Accounting and Reporting Changes

(No SAMPLE TEXT is provided because each circumstance will be unique. See Notes To Preparer.)

1 Related Party Transactions

The disclosures illustrated in the SAMPLE TEXT for this note are required whenever the city/county/district conducts a significant amount of business with another closely affiliated entity. Disclosure should include the nature of the relationship between the entities, the nature and dollar amount of transactions, amounts due at year end, and any significant changes in terms. This disclosure could be appropriately combined with other information in a joint venture note or in a reporting entity note. These disclosures are also required should your government transact business with its own officials or employees beyond the limited amounts permitted in Chapter 42.23 RCW.

6 Extraordinary and/or Special Items

Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity.

b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Special items are significant items subject to management’s control that meet one but not both of the criteria used for identifying extraordinary items.

Descriptive captions and the amounts for individual extraordinary/special events or transactions should be presented, preferably on the face of the financial statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary/special event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

11 Subsequent Events

Certain events that occur between the date of the financial statements and the date they are issued must be disclosed. There are two ways that subsequent events may affect the financial statements: (1) When the event affects the valuation of an amount already on the financial statement; and (2) when the event is not associated with any asset or liability that existed at balance sheet date.

The first type of subsequent event is disclosed by an adjusting entry in the financial statements before they are issued. For example, the settlement of a lawsuit or the filing for bankruptcy of a major debtor requires recording the loss in the year that has already ended. No additional disclosure is required, although it may be helpful to a reader.

The second type of subsequent event does not require adjustment, but must be disclosed in the notes. Examples include losses from fire or flood, the issuance of new debt or its advance retirement, or a change that affects the powers of your government, its scope of services or its revenue structure. For example:

On February 1, 200Y, the county issued $1.4 million in Road Improvement District (RID) bonds to provide moneys that are necessary to pay the cost and expense of constructing improvements within RID No. 85-1. The bonds bear interest rates from 8.75 to 11.125 percent and will be redeemed over the next 18 years with proceeds from RID assessment revenues.

On April 10, 200Y, the city transferred all employees, assets, liabilities, and contracts related to the Vanpool Fund to the Golden County Public Transportation Benefit Area. The transfer included $1,370,000 due to the State of Washington for loans to purchase vanpool vehicles.

Beginning on March 1, 200Y, the city's sales tax was increased by 0.2 percent to finance the purchase of property dedicated for a downtown park.

On April 5, 200Y, the city council approved the sale of 136 acres of land adjacent to the city airport to a private corporation for $1.5 million. The sale is expected to be consummated prior to December 1, 200Y. The proceeds will be devoted to capital improvements for the airport.

C. Related Party Transactions

(No SAMPLE TEXT is provided because such transactions are rare and the circumstances will be unique in each case. See Notes To Preparer.)

D. Extraordinary and/or Special Items

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes To Preparer.)

E. Subsequent Events

(No SAMPLE TEXT is provided because the circumstances will be unique in each case. See Notes To Preparer.)

1 Provide any disclosures which may be needed for a fair presentation of the government's financial statements.

Example:

Governments may receive endowments that are subject to donor-imposed restrictions. In these cases the following items need to be disclosed:

- the amount of net appreciation on investments of donor-restricted endowments that are available for expenditure authorized by the governing board, and how these amounts are reported in net assets,
- the state/local law regarding the ability to spend net appreciation;
- the policy for authorizing and spending investment income, such as spending rate or total return policy.

Intergovernmental Assistance Programs

Current authoritative pronouncements do not require disclosure of specifics of intergovernmental assistance programs, but if a participation in such programs is considered a material part of the city/county/district operation, note disclosure is suggested.

In the note provide:

- a description of a program,
- the amount of grants, entitlements or shared revenues,
- a description of program requirements and provisions (i.e., cost sharing or matching requirements, etc.).

F. Other

(No SAMPLE TEXT is provided because such transactions are rare and the circumstances will be unique in each case. See Notes To Preparer.)

MATRIX OF STATUTORY REPORTING REQUIREMENTS:
(These statements should be prepared in accordance with GASB and NCGA pronouncements)

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699
(D) Component Unit(s)

Fund Financial Statements	(A) Governmental Funds		(B) Proprietary Funds		(C) Fiduciary Funds	(D) Component Units
	General Fund	Other Governmental Funds	Enterprise Funds	Internal Service Funds		
Balance Sheet – Governmental Funds[1]	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Revenues, Expenditures, and Changes in Fund Balances	One column for General Fund	Separate columns for each major fund, one column for all non-major funds	N/A	N/A	N/A	N/A
Statement of Net Assets (or Balance Sheet) – Proprietary Funds	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Revenues, Expenses, and Changes in Fund Net Assets (or Fund Equity)	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Cash Flows	N/A	N/A	Separate columns for each major fund, one column for all non major funds	One column for all internal service funds	N/A	N/A
Statement of Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, private purpose and agency fund	Fiduciary component units are included with the appropriate fund type
Statement of Changes in Fiduciary Net Assets	N/A	N/A	N/A	N/A	Separate columns for each fiduciary fund type: pension, investment, and private purpose	Fiduciary component units are included with the appropriate fund type
Notes to Financial Statements	Prepared for reporting entity as a whole.					
Required Supplementary Information (RSI)	Prepared for reporting entity as a whole.					

After preparing the reports, the government will need to keep all worksheets on file and available for the auditor.

If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in the report. This matrix does not detail these additional requirements.

If your government assumes risk or self-insures, OR provides claims servicing or insurance coverage to others, please see Part 3, Chapter 12 for additional reporting requirements.

[1] The Statement should not include: general capital assets and general long-term liabilities.

Chapter 7. Required Supplementary Information (RSI)

Governments have to present the Required Supplementary Information (RSI) to meet the minimum financial reporting requirements. RSI generally includes schedules, statistical data, and other information.

The following types of RSI are required:

Management's Discussion and Analysis (MD&A),
Budgetary comparisons,
Infrastructure condition and maintenance data (if using the modified approach),
Pension trend data, and
Revenue and claims development trend data (for public entity risk pools).

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) should provide the users with an introductory narrative, overview and analysis of the basic financial statements.

Although it is required supplementary information, it should be presented first – before the basic financial statements. It introduces the basic financial statements and notes and is meant to guide the readers through those statements and notes.

The MD&A should be written by financial managers, the controllers, finance directors, etc. It should be objective and easily readable. The objectivity is a result of being solely based on the information that comes from the basic financial statements and facts that are currently known[1] to the managers. It should discuss both: the positive and negative outcomes of the government's operations. The governments are encouraged to use charts, graphs, and tables to enhance the understandability of the MD&A.

The MD&A should focus on the primary government. The decision whether to address matters related to component units depends on the size of a particular component unit (in comparison with other discretely presented component units) and the nature of its relationship with the primary government. Any discussion in the MD&A involving both the primary government and its discretely presented component units must be distinguishable between the two.

The content of the MD&A is specifically required set of information that the government must address. Since the MD&A is a required portion of the RSI, it should not contain additional topics that are not specified in this section. However, the government is free to provide whatever level of detail it feels is appropriate in addressing each topic.

Discussion of the Basic Financial Statements

The discussion portion of the MD&A should describe the financial statements and the significant differences in the kinds of information each statement provides. It should focus on the relationship between governmental funds and governmental activities.

Condensed Comparative Financial Data

The MD&A should provide condensed financial statements derived from the government-wide financial statements for both the current and the prior fiscal period. The following is the requirement of comparative data need for the MD&A:

- Total assets, distinguishing between capital and other assets,
- Total liabilities, distinguishing between long-term liabilities and other liabilities,

[1] Currently known is interpreted as known by the managers as of the date of the auditor's end of audit fieldwork.

- Total net assets, distinguishing between amounts invested in capital assets, net of related debt, restricted amounts, and unrestricted amounts,
- Program revenues, by major source,
- General revenues, by major source,
- Total revenues,
- Program expenses, at minimum by function,
- Total expenses,
- Excess (deficiency) before contributions to term and permanent endowment or permanent fund principal, special and extraordinary items, and transfers,
- Contributions,
- Special and extraordinary items,
- Transfers,
- Change in net assets,
- Ending net assets.

The above information should be presented in the form of condensed financial statements. The government may use graphs and charts to supplement, or elaborate on those statements, but not in place of them.

Overall Analysis of Financial Position and Result of Operations

The MD&A should discuss and analyze the government's financial position and results of operations. This discussion and analysis needs to address whether the government's overall financial position has improved or deteriorated. The MD&A should provide *reasons* for the significant changes in financial position, not just changes in their size or percentage of change. The overall analysis discussion needs to address separately the governmental and business-type activities. This discussion should emphasize the current fiscal period.

Fund Analysis

The fund analysis focuses on the analysis of significant balances and operations of individual major funds. The discussion should emphasize the reasons for significant changes in fund balances (government funds) or fund net assets (proprietary funds). Additional information should be provided on any significant limitation on the future use of fund resources.

Budget Variances in the General Fund

The MD&A should address, on a budgetary basis, the significant differences between:

1. the original budget for the general fund and the final amended budget,
2. the final amended budget for the general fund and the actual amounts.

The analysis should give reasons for variances if they significantly affect either future services or liquidity.

Capital Asset and Long-Term Debt Activity

The MD&A should describe significant changes in:

- Capital assets,
- Long-term debt,
- Commitments for capital expenditures, and
- Debt limitations that could affect the financing of planned facilities or services.

This sections is not intended to repeat information provided in the notes, but should be summarized and references made to the more detailed information provided in the notes.

Infrastructure

Governments that elect the use the modified approach to infrastructure reporting should discuss all of the following in the MD&A:

- Significant changes in the condition levels of infrastructure assets,
- How current condition levels compare with target condition levels established by the government,
- Significant differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at target condition levels and the actual amounts of expense incurred for the purpose during the current fiscal period.

Other Potentially Significant Matters

The MD&A should also address any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position. This discussion should be based on events or decisions that have already occurred, or have been enacted, adopted, agreed upon, or contracted. In some instances, issues discussed here will also be disclosed in the notes to financial statements as subsequent events or contingencies. The discussion should also address the effect on governmental and business-type activities separately.

Governmental activities and business-type activities should be discussed separately. Examples of types of situations for such reporting are:

- Award and acceptance of a major grant,
- Adjudication of significant lawsuit,
- Reassessment of taxable property,
- Completion of an agreement to locate a major manufacturing plant in a city,
- A flood that caused significant damage to a governments infrastructure,
- A renegotiated labor contract with government employees.

Budgetary Comparisons

The budgetary comparison schedules should be presented in the RSI for the general fund and for each major special revenue fund[1] that has a legally adopted annual/biennial budget. However, governments may elect to report the budgetary comparison information in a budgetary comparison statement as part of the basic financial statements[2], rather than the RSI. The format and contents of the budgetary comparisons are the same for both presentations.

The budgetary comparison schedules should provide at least three separate types of information.

1. *The original budget* – the first complete legally appropriated budget adjusted for changes occurring before the beginning of fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

2. *The final budget* – including all legally authorized changes including those occurring during and after the end of fiscal year.

3. *Actual inflows, outflows and balances* - should be reported on the same basis as the legally adopted budget.

[1] All major special revenue funds, whether designated as major based on the percentage criteria or management's discretion, are subject to this requirement.
[2] A government electing to present the required budgetary comparison information in the basic financial statements should include it with the fund financial statements after the related Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance.

Notes to the RSI should disclose an explanation of the excesses of expenditures over appropriations in individual funds presented in the budgetary comparison. If budgetary comparison information is included in the basic statements, these disclosures should be in the Notes to the Financial Statements, rather than as notes to the RSI. (If the excess of expenditures over appropriations is considered a material violation of legal provisions, the disclosure should be made in the Notes to Financial Statements.)

Governments may present the budgetary comparison schedule using the same format, terminology, and classification as the budget document, or using the format, terminology, and classifications in a statement of revenues, expenditures, and changes in fund balances. Regardless of the format used, the schedule should be accompanied by information (either in a separate schedule or in notes to the RSI) that reconciles budgetary information to GAAP information.

City of Example
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002
(in thousands)

(Variance column is optional)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual amounts (Budgetary Basis)	
Budgetary Fund Balance, January 1	30	1,063	7,031	
Resources (Inflows):				
Property Taxes	10,285	10,285	10,997	
Licenses and Permits	885	885	727	
Fines and Forfeitures	277	277	248	
Charges for Goods and Services	3,066	3,066	3,090	
Intergovernmental Revenues	542	542	661	
Miscellaneous	454	454	844	
Interest Received				
Transfers from Other Funds				
Amounts Available for Appropriation	15,509	15,509	16,566	
Charges to Appropriations (Outflows)				
General Government:				
Legal	1,004	1,004	875	
Legislative	850	854	790	
Finance and Accounting	925	925	904	
Other	126	126	72	
Public Safety:				
Police	5,000	5,046	4,904	
Fire Department	1,000	1,100	950	
Emergency Services	1,411	1,411	1,382	
Public Work:				
Public Works Administration	850	850	796	
Street Maintenance	1,000	1,026	1,100	
Street Lighting	212	212	38	
Health and Human Services	5	5	5	
Culture and Recreation:				
Library	1,560	1,618	1,579	
Parks and Recreation	817	817	738	
Economic Environment	726	740	714	
Nondepartmental:				
Capital Outlay	53	53	32	
Contingency				
Transfers to Other Funds		785	785	
Total Charges to Appropriations	15,539	16,572	15,664	
Budgetary Fund Balance, December 31			7,933	

See accompanying note to budgetary comparison schedules.

EXAMPLE

Infrastructure Condition and Maintenance Data

Governments that follow the modified approach have to present the following information for all infrastructure reported using that method:

1. The results of the three most recently[1] completed condition assessments to demonstrate the assets have been maintained at or above the condition level established.

2. The estimated annual amount needed and actual amount expensed to maintain or preserve infrastructure assets at the level established (presented for each of the past five reporting periods). The estimated annual amount must be determined using the assets management system. It should be calculated at the beginning of the fiscal year and documented providing an auditor with information necessary for the comparison of estimated and actual amounts.

These schedules should be accompanied by the following disclosures as notes to the RSI:

- The basis for the condition measurement and the measurement scale used to assess and report condition.

- The condition level at which the government intends to preserve its infrastructure assets (reported using the modified approach).

- Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods used during the periods covered by the schedules. If there is a change in the condition level at which the government intends to preserve the eligible infrastructure assets, an estimate of the effect of the change on the estimated annual amount to maintain and preserve those assets for the current period also should be disclosed.

Pension Trend Data[2]

Governments that have defined benefit pension plans must present in the RSI:

Schedule of funding progress, and
Schedule of employer contributions.

The schedule of funding progress shows the extent the pension plan has been successful over time in setting aside assets to cover its actuarial accrued liability. The actuarial accred liability for this purpose is the amount calculated using the pension plan's funding method. This schedule is not required for pension plans using the aggregate actuarial cost method because that method does not identify or separately amortize unfunded actuarial liabilities.

If a stand-alone report is issued for the pension plan, that includes the schedule of funding progress, there is no need to include the schedule in the RSI. However, the government should indicate how to obtain a copy of the pension plan report.

Defined benefit pension plans are required to present the following data as of the plan's reporting date for the past six consecutive fiscal years:

- actuarial valuation date,
- actuarial value of plan assets,

[1] Disclose the dates.
[2] As required by the GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans* and the GASB Statement 27, *Accounting for Pensions by State and Local Governments*

- actuarial accrued liability (calculated using the cost allocation method selected for funding purposes within the parameters established by the GAAP),
- total unfunded actuarial liability (actuarial accrued liability less actuarial value of plan assets),
- funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability),
- annual covered payroll, and
- ratio of the total unfunded actuarial liability to annual covered payroll.

An abbreviated schedule of funding progress (last three actuarial valuations) is required for employers who sponsor single-employer defined benefit pension plans. The abbreviated schedule also is required of employers who participate in agent multiple-employer defined benefit pension plans.

The schedule of employer contributions shows the extent to which employers have actually funded their actuarially determined annual required contribution over time. The following information must be presented for the past six consecutive fiscal years:

1. Annual required contributions (in dollars) based on the parameters set by the GAAP, and
2. Percentage of annual required contributions recognized as contributions from employers in the plan's statement of changes in plan net assets.

If this information is available in a separate stand-alone report, the government can indicate how to obtain a copy of the report and not duplicate the schedule in the RSI.

Notes should be attached to the schedules to address the following topics:

- actuarial cost method,
- method used to value assets,
- assumed inflation rate,
- assumed investment return,
- assumed projected salary increases,
- assumed postretirement benefit increases,
- amortization method,
- amortization period,
- selection of open or closed amortization approach,
- if the aggregate method is used, a disclosure that the aggregate method does not identify or separately amortize unfunded actuarial liabilities, and
- factors that affect trends.

Revenue and Claims Development Trend Data (for Public-Entity Risk Pools)[1]

Governments should present the following information related to the public-entity risk pools:

1. Premium and investment revenues (past ten fiscal years) presented as follows:

    - gross amounts earned,
    - amounts ceded (e.g., reinsurance),
    - net revenues.

2. Unallocated claim adjustment expenses and other costs (past ten fiscal years).

[1] See the GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement 30, *Risk Financing Omnibus* and Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

3. Incurred claims and allocated claim adjustment expenses as originally reported (past ten fiscal years) presented as follows:

    - gross amounts incurred,
    - amounts ceded (e.g., reinsurance),
    - net revenues.

4. Cumulative payments related to no. 3 above at the end of each policy year.

5. Re-estimated ceded losses and expenses.

6. Re-estimated net incurred claims and claim adjustment expenses at the end of each year.

7. The changes between nos. 3 and 6.

The government should also include a reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses of the current and prior fiscal year.

All information should be in tabular format.

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X = Schedule required to be prepared

MATRIX OF STATUTORY REPORTING REQUIREMENTS: Additional Schedules Required by the State Auditor's Office

(A) Governmental Fund Types: 001, 100, 200, 300, 700
(B) Proprietary Funds: Enterprise Funds - 400, Internal Service Funds – 500
(C) Fiduciary Funds: 600-699

Schedule No.	Schedule	(A) Governmental Fund Types	(B) Proprietary Funds	(C) Fiduciary Funds	
				Pension, Investment and Private-Purpose	Agency Funds
04	Detail Of Revenues And Other Resources	Prepare for each fund	Prepare for each fund	N/A	N/A
05	Detail Of Expenditures And Other Uses	Prepare for each fund	Prepare for each fund	N/A	N/A
07	Warrant Activity (Counties Only)	Prepare one schedule for entity as a whole. List all funds (including claims and payroll funds). Where applicable, include special purpose districts.			
08	Real and Personal Property Taxes (Counties Only)	Prepare one schedule for entity as a whole. Include all funds. Where applicable, special purpose districts for which tax was levied.			
09	Long-Term Debts (one schedule for entity as a whole)	Include all special assessment debt and any long-term debt accounted for within a fund	Include all revenue debt, capital leases, and debt of ULIDs and LFDs	N/A	Include all long-term debt of taxing districts for which the county accounts
10	Limitation of Indebtedness	Prepare one schedule for entity as a whole.			
11	Cash Activity (Counties Only)	Prepare one schedule for entity as a whole. List all funds (including claims and payroll funds). Where applicable, include special purpose districts.			
12	Investment Activity (Counties Only)	Prepare one schedule for entity as a whole. Include all funds. Where applicable, include special purpose districts.			
16	Expenditures of Federal Awards and State/Local Financial Assistance	Prepare separate schedules for federal and state/local grants. Include all grants.			
17	Annual Report on Public Works Projects	Prepare one schedule for entity as a whole.			
19	Labor Relations Consultant(s)	Prepare one schedule for each labor consultant.			

If you are preparing a CAFR, there are additional statements, schedules, and statistical data that must be included in your report. This matrix does not detail these additional requirements.

SCHEDULE 04 - DETAIL OF REVENUES AND OTHER RESOURCES (GOVERNMENTAL FUNDS)

See the matrix on the preceding page to identify the funds for which to prepare a Schedule 04.

This schedule should include:

- Beginning fund balance. Separate reserved (G.L. 292.71 or 308.10) and unreserved (G.L. 292.74 or 308.80) fund balance amounts.

- All revenues and other financing sources listed in numerical order according to the BARS account codes (accounts 310.00-369.90 and 390.00-399.90).

- All nonrevenues. Use either the general ledger or the subsidiary ledger (i.e., 380.00) codes. If this is not feasible, please list the amount of interfund loans only. Please list those accounts after *Total Revenues, Other Financing Sources and Beginning Fund Balance*.

All revenues and other financing sources must be reported to the subelement level and the 330 series of accounts (intergovernmental resources) must be further detailed to the subobject level. Provide and clearly identify totals for each basic category of revenue (i.e., 310, 320, etc.). Total all revenues, other financing sources and beginning fund balance.

For instructions regarding electronic filing see Part 4, Chapter 1. Computer printouts are also acceptable. The report can be handwritten.

Blank form of the schedule is provided after the example.

MCAG NO. 9999 | CITY OF PERFECT | **Schedule 04**

(ENTITY NAME)

Current Expense Fund - 001

(Fund Name and Number)

DETAIL OF REVENUES AND OTHER RESOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount
292.71 [1]	BEGINNING FUND BALANCE - RESERVED	$10,000
292.74 [1]	BEGINNING FUND BALANCE - UNRESERVED	1,000
311.10	Real and Personal Property Taxes	300,000
313.10	Local Retail Sales and Use Tax	25,000
316.41	Utility Tax - Electric	8,000
316.43	Utility Tax - Gas	9,500
316.45	Utility Tax - Garbage	2,200
316.47	Utility Tax - Phone	1,500
317.50	Gambling Excise Taxes	1,000
310.00	TOTAL TAXES	77,200
321.70	Amusement Permits	100
322.10	Building Permits	6,000
322.30	Animal Licenses	1,900
320.00	TOTAL LICENSES AND PERMITS	8,000
335.00.81	Mobile Home Camper Excise	500
335.00.83	Motor Vehicle Excise Tax - Regular	35,000
335.00.85	M.V. Excise Tax	25,000
335.00.94	Liquor Excise Tax	2,500

[1] Or 308.10 and 308.80, respectively.

Current Expense Fund - 001
(Fund Name and Number)

DETAIL OF REVENUES AND OTHER RESOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount
335.00.95	Liquor Board Profits	$4,000
338.22	Fire Protection Services	3,000
330.00	TOTAL INTERGOVERNMENTAL REVENUE	70,000
341.60	Photostating	100
342.10	Police Services	300
343.70	Garbage Services	5,500
343.93	Animal Control Fees	1,000
345.83	Plan Check Fees	200
347.30	Recreation Fees	200
340.00	TOTAL CHARGES FOR GOODS AND SERVICES	7,300
353.10	Traffic Infraction Penalties	2,500
350.00	TOTAL FINES AND FORFEITS	2,500
361.11	Investment Interest	7,000
362.90	Other Rents and Use Charges	5,000
367.00	Donations	500
360.00	TOTAL MISCELLANEOUS REVENUE	12,500
	TOTAL REVENUES	$177,500

MCAG NO. 9999 | CITY OF PERFECT | **Schedule 04**

(ENTITY NAME)

Current Expense Fund - 001

(Fund Name and Number)

DETAIL OF REVENUES AND OTHER RESOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount
397.00	Transfers In	$4,000
390.00	TOTAL OTHER FINANCING SOURCES	4,000
	TOTAL REVENUES, OTHER FINANCING SOURCES AND BEGINNING FUND BALANCE	$192,500
381.00 [1]	Interfund Loans	2,000
384.00 [1]	Sale of Investment	10,000
	TOTAL NONREVENUES	$12,000

[1] Or appropriate G.L. account codes.

MCAG NO. _____ **_____** **Schedule 04**

(ENTITY NAME)

_____

(Fund Name and Number)

DETAIL OF REVENUES AND OTHER RESOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount

SCHEDULE 04 - DETAIL OF REVENUES AND OTHER RESOURCES (PROPRIETARY FUNDS)

See the matrix at the beginning of this chapter to identify the funds for which to prepare a Schedule 04.

This schedule should include:

- Beginning fund balance. Separate reserved (G.L. 292.71 or 308.10) and unreserved (G.L. 292.74 or 308.80) fund balance amounts.

- All revenues and other financing sources listed in numerical order according to the BARS account codes (accounts 310.00-379.90 and 390.00-399.90).

- All nonrevenues. Use either the general ledger or the subsidiary ledger (i.e., 380.00) codes. Please list those accounts after Total Resources (Total Revenues, Other Financing Sources, plus Beginning Fund Balance). If it is not feasible to list all of them, please provide the amounts of interfund loans and proceeds from long-term debt.

All revenues and other financing sources must be reported to the subelement level and the 330 series of accounts (intergovernmental resources) must be further detailed to the subobject level. Provide and clearly identify totals for each basic category of revenue (i.e., 310, 320, etc.). Total all revenues and other financing sources.

For instructions regarding electronic filing see Part 4, Chapter 1. Computer printouts are also acceptable. The report can be handwritten.

Blank form of the schedule is provided after the example.

MCAG NO. 9999 | CITY OF PERFECT | **Schedule 04**

(ENTITY NAME)

WATER FUND #402

(Fund Name and Number)

DETAIL OF REVENUES AND OTHER RESOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount
292.71 [1]	RESERVED BEGINNING FUND BALANCE	$10,000
292.74 [1]	UNRESERVED BEGINNING FUND BALANCE	2,000
343.40	Charges for Services	100,000
343.80	Other Utility Fees and Charges	500
343.90	Other Physical Environment	3,500
340.00	TOTAL CHARGES FOR GOODS AND SERVICES	104,000
361.10	Investment Interest	20,000
369.90	Miscellaneous Revenue	1,000
360.00	TOTAL MISCELLANEOUS REVENUES	21,000
	TOTAL REVENUES	$125,000
	TOTAL RESOURCES	$137,000
381.00 [2]	Interfund Loans	$2,000
382.20 [2]	Revenue Bonds Proceeds	50,000
	TOTAL NONREVENUES	$52,000

[1] Or 308.10 and 308.80, respectively.
[2] Or appropriate G.L. code.

MCAG NO. _____ **_____** **Schedule 04**

(ENTITY NAME)

_____

(Fund Name and Number)

DETAIL OF REVENUES AND OTHER RESOURCES

For The Year Ended December 31, _____

BARS Account No.	Description	Actual Amount

SCHEDULE 05 - DETAIL OF EXPENDITURES AND OTHER USES (GOVERNMENTAL FUNDS)

See the matrix at the beginning of this chapter to identify the funds for which to prepare a Schedule 05.

This schedule should include:

- All operating expenditures (510.00-579.90), debt service (591.00-593.00), capital outlays (594.00-595.00) and other financing uses (597.00-599.00) listed in numerical order according to BARS account codes.

- Ending fund balance. Separate reserved (G.L. 292.81 or 508.10) and unreserved (G.L. 292.84 or 508.80) fund balance amounts.

- All nonexpenditures. Use either the general ledger or subsidiary ledger (i.e., 580.00) codes. If this is not feasible, indicate the amount of interfund loans only. Please list those accounts after *Total Expenditures, Other Financing Uses and Ending Fund Balance*.

All expenditures and other financing uses must be reported on element (subelement when specifically prescribed in the BARS) and object level.

A subtotal should be calculated and clearly identified for each basic category of expenditures (i.e., 510, 520, etc.) and total for all expenditures, other financing uses and ending fund balance should be provided.

For instructions regarding electronic filing see Part 4, Chapter 1. Computer printouts are also acceptable. The report can be handwritten.

Blank form of the schedule is provided after the example.

MCAG NO. 9999 CITY OF PERFECT **Schedule 05**

(ENTITY NAME)

General Fund - 001

(Fund Name and Number)

DETAIL OF EXPENDITURES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Amount
511.10	Mayor's Office	10	Salaries	$12,000
		20	Benefits	10,000
		30	Supplies	1,000
514.30	Record Services	10	Salaries	6,000
		20	Benefits	1,000
		40	Services	500
510.00	TOTAL GENERAL GOVERNMENT SERVICES			30,500
521.10	Law Enforcement - Administrative	10	Services	20,000
		20	Benefits	5,000
521.21	Investigations	10	Salaries	10,000
		30	Supplies	3,000
520.00	TOTAL SECURITY OF PERSONS AND PROPERTY			38,000
	TOTAL EXPENDITURES			68,500
591.72	Redemption of Long-Term Debt	70	Debt Service	100,000
597.00	Transfer-Out	55	Interfund	15,000
590.00	TOTAL OTHER FINANCING USES			115,000
	TOTAL EXPENDITURES AND OTHER FINANCING USES			183,500

MCAG NO. 9999 | CITY OF PERFECT | **Schedule 05**

(ENTITY NAME)

General Fund - 001

(Fund Name and Number)

DETAIL OF EXPENDITURES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Amount
292.81 [1]	RESERVED ENDING FUND BALANCE			$20,000
292.84 [1]	UNRESERVED ENDING FUND BALANCE			5,000
	TOTAL EXPENDITURES, OTHER FINANCING USES AND ENDING FUND BALANCE			$208,500
584.00 [2]	Purchase of Investment	00		100,000
	TOTAL NONEXPENDITURES			$100,000

[1] Or 508.10 and 508.80, respectively.

[2] Or appropriate G.L. account code.

MCAG NO. _____ **_____** **Schedule 05**

(ENTITY NAME)

_____

(Fund Name and Number)

DETAIL OF EXPENDITURES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Amount

SCHEDULE 05 - DETAIL OF EXPENSES AND OTHER USES (PROPRIETARY FUNDS)

See the matrix at the beginning of this chapter to identify the funds for which to prepare a Schedule 05.

This schedule should include:

- All operating expenditures (510.00-579.90), debt service (591.00-593.00), capital outlays (594.00-595.00) and other financing uses (597.00-599.00) listed in numerical order according to BARS account codes (example 1) or at the activity level (example 2).

- Ending fund balance. Separate reserved (G.L. 292.81 or 508.10) and unreserved (G.L. 292.84 or 508.80) fund balance amounts.

- All nonexpenditures. Use either the general ledger or subsidiary ledger (i.e., 580.00) codes. If this is not feasible, indicate the amount of interfund loans and redemption of long-term debt. Please list those accounts after *Total Expenditures, Other Financing Uses and Ending Fund Balance*.

All expenditures and other financing uses must be reported on element (subelement when specifically prescribed in the BARS) and object level.

A subtotal should be calculated and clearly identified for each basic category of expenditures (i.e., 530, 570, etc.) and total for all expenditures, other financing uses and ending fund balance should be provided.

For instructions regarding electronic filing see Part 4, Chapter 1. Computer printouts are also acceptable. The report can be handwritten.

Blank form of the schedule is provided after the example.

WATER FUND #405
(Fund Name and Number)

DETAIL OF EXPENSES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Amount
534.80	Water Utilities	10	Salaries	$20,000
		20	Benefits	6,000
		30	Supplies	5,000
		40	Other Services and Charges	120,000
530.00	TOTAL WATER UTILITIES			$151,000
591.00	Redemption of Long-Term Debt	70	Interest	$200,000
594.34	Capital Expenditures	60	Equipment	100,000
	TOTAL DEBT SERVICE AND CAPITAL OUTLAY			$300,000
508.10 [1]	RESERVED ENDING FUND BALANCE			100,000
508.80 [1]	UNRESERVED ENDING FUND BALANCE			50,000
	TOTAL EXPENSES AND FUND BALANCE			$601,000
581.00 [1]	Interfund Loans	00		$10,000
582.00 [1]	Redemption of Long-Term Debt	00		50,000
	TOTAL NONEXPENDITURES			$60,000

[1] Or appropriate G.L. account code.

WATER FUND #405
(Fund Name and Number)

DETAIL OF EXPENSES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Amount
534.80	General Operations	10	Salaries	$180,000
		20	Benefits	50,000
		30	Supplies	40,000
534.60	Contracted Processing and Operations	40	Other Services/ Charges	60,000
534.50	Maintenance of Equipment and Facilities	10	Salaries	140,000
		20	Benefits	4,000
		30	Supplies	10,000
534.10	General Administration	10	Salaries	40,000
		20	Benefits	4,000
534.30	Depreciation	00	Depreciation	20,000
	TOTAL OPERATIONS			548,000
591.00	Redemption of Long-Term Debt	70	Interest	$200,000
594.34	Capital Expenditures	60	Equipment	100,000
	TOTAL DEBT SERVICE AND CAPITAL OUTLAY			$300,000
508.10 [1]	RESERVED ENDING FUND BALANCE			100,000
508.80 [1]	UNRESERVED ENDING FUND BALANCE			50,000
	TOTAL EXPENSES AND FUND BALANCE			$998,000
581.00 [1]	Interfund Loans	00		$10,000
582.00 [1]	Redemption of Long-Term Debt	00		50,000
	TOTAL NONEXPENDITURES			$60,000

[1] Or appropriate G.L. account code.

MCAG NO. _____ **_____** **Schedule 05**

(ENTITY NAME)

_____

(Fund Name and Number)

DETAIL OF EXPENSES AND OTHER USES

For The Year Ended December 31, _____

BARS Account No.	Description	Object Code	Object Description	Actual Amount

SCHEDULE 07 - WARRANT ACTIVITY

THIS SCHEDULE DOES NOT APPLY TO CITIES.

The purposes of this schedule are to identify debt incurred or redeemed through the issuance of registered warrants, to verify the accuracy of debt service reporting, and to facilitate reconciliation between cash disbursements and expenditures. The schedule is also used in the evaluation of controls over outstanding warrants. See the matrix at the beginning of this chapter for funds which should be included on Schedule 07.

For those entities which have claims and/or payroll funds, there will be many individual funds with no warrant activity, and those funds do not need to be reported on Schedule 07. However, even those entities using a claims fund or payroll fund for warrant issues will still need to prepare the entries in columns 1 through 10 for those funds or districts that were on registered warrants at any time during the year, and for those districts for which the entity issues warrants that are not run through the claims and payroll funds. In addition, columns 1 through 10 need to be completed for each claims or payroll fund.

Entities that only use checks and have no warrant activity do not need to use Schedule 07. Schedule 07 is for warrant activity only.

Counties may combine on one line all warrant activity for those school districts that issue their own warrants, but warrant activity should be reported separately by fund for any districts for which the county issues the warrants.

Column 1	Number of each fund on which regular operating warrants are issued.
Column 2	Name of each fund on which regular operating warrants are issued.
Column 3	Warrants outstanding for each fund on January 1 of report year.
Column 4	Warrants issued during report year: i.e., January 1 through December 31.
Column 5	Warrants issued January 1 through January 30 (RCW 36.40.200) of report year for expenditures incurred and properly chargeable against the previous year's budget appropriations.
Column 6	Warrants issued January 1 through January 30 of year following report year for expenditures incurred and properly chargeable against the report year's budget appropriations.
Column 7	This amount represents the net warrant issue properly chargeable against the report year's budget appropriations. See formula on the schedule.
Column 8	Warrants redeemed January 1 through December 31 of report year.
Column 9	Warrants canceled January 1 through December 31 of report year.
Column 10	Warrants outstanding for each fund on December 31 of report year. See formula on the schedule.

MCAG NO. _____

Schedule 07
Page ____ of ____

_____
(ENTITY NAME)

SCHEDULE OF WARRANT ACTIVITY

For Year Ended December 31, _____

1	2	3	4	5	6	7	8	9	10
FUND NO.	FUND NAME	PAYABLE JANUARY 1 1991	ISSUED REPORT YEAR	BEGINNING OPEN PERIOD	ENDING OPEN PERIOD	NET ISSUE 4-5+6	REDEEMED REPORT YEAR	CANCELED REPORT YEAR	PAYABLE DECEMBER 31 3+4-8-9
104	Park Fund*	$23,872	$ 75,493	477	392	$ 75,408	$ 83,224	-	$ 16,141
800	Payroll Fund	43,988	1,592,722			1,592,722	1,511,411	1,312	123,987
850	Claims Fund	21,743	595,411			595,411	597,113	281	19,760
	TOTAL - ALL FUNDS	$89,603	$2,263,626	477	392	$2,263,541	$2,191,748	$1,593	$159,888
	* Registered Warrants								

MCAG NO. _____

_____
(ENTITY NAME)

SCHEDULE OF WARRANT ACTIVITY

For Year Ended December 31, ____

1	2	3	4	5	6	7	8	9	10
FUND NO.	FUND NAME	PAYABLE JANUARY 1,	ISSUED REPORT YEAR	BEGINNING OPEN PERIOD	ENDING OPEN PERIOD	NET ISSUE 4-5+6	REDEEMED REPORT YEAR	CANCELED REPORT YEAR	PAYABLE DECEMBER 31, 3+4-8-9

SCHEDULE 08 - REAL AND PERSONAL PROPERTY TAXES

THIS SCHEDULES DOES NOT APPLY TO CITIES.

This schedule is used to collect information about tax levies in all taxing districts in Washington State. It is also used to verify the amount of tax revenues reported on Schedule 04 (Detail of Revenues and Other Sources) and the amount of taxes receivable shown on any balance sheets.

Counties should prepare this schedule directly from their property tax segregation records. Districts should prepare this schedule from the monthly reports of county remittances. It is important to analyze the county reports for any netting, such as election costs. If the county has deducted any charges from its remittances, the district must show the expenditure separately and record the tax revenue at its full amount.

Districts should accrue as revenue the property tax collections received by the county as they are measurable and available. County remittances that are in transit at the end of the year should be included on this schedule as "taxes collected" in the district reports.

In counties all school districts may be combined and shown on one line. Each tax-levying fund of the state, of each city, and of every other taxing district should be shown separately.

This schedule may be submitted as a computer printout, so long as the required information is provided.

Column 1	Number of each fund for which taxes are levied.
Column 2	Name of each fund for which taxes are levied.
Column 3	Prior years' taxes receivable as of January 1 of report year. Districts accruing tax revenue should report the receivable balance as stated by the county at December 31.
Column 4	Indicate whether regular (R) or special (S) levy. Also indicate tax rate expressed in dollars per thousand dollars of assessed valuation ($/1000) at 100% of fair market value.
Column 5	Taxes levied for report year collection.
Column 6	Report year collections of current and prior year levies. Districts that provide a balance sheet should accrue the calendar year collections made by the county.
Column 7	Tax adjustments (supplementals) which increase taxes receivable.
Column 8	Tax adjustments (cancellations) which decrease taxes receivable.
Column 9	Total taxes receivable as of December 31 of report year. Districts accruing tax revenue should report the receivable balance as stated by the county at December 31.

_____
(ENTITY NAME)

SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES (ALL TAX SUPPORTED FUNDS)

For Year Ended December 31, _____

1	2	3	4	5	6	7	8	9
FUND NO.	FUND NAME	TAXES RECEIVABLE 01/01/____	TAX RATE $/1,000	TAXES LEVIED REPORT YEAR	TAXES COLLECTED	TAX ADJUSTMENT INCREASES	TAX ADJUSTMENT DECREASES	TAXES RECEIVABLE 12/31/____ (3+5-6+7-8)
001	Current Exp/Gen. Fund	$65,939	$2.19	$ 787,943	$ 774,288	$ 73	$541	$ 79,126
105	Road Fund	14,428	2.23	521,822	519,321	3	42	16,890
650.01	Fire Dist. No. 3	3,321	.98	15,422	14,988	10	2	3,763
650.02	Fire Dist. No. 8	9,876	1.00	45,111	46,213	3	1	8,776
650.04	School District G. O. Bond	10,422	2.18	51,144	52,988	75	22	8,631
650.05	Port District	23,333	1.43	80,319	82,414	53	75	21,216
	TOTAL - ALL FUNDS	$127,319		$1,501,761	$1,490,212	$217	$683	$138,402

MCAG NO. _____

_____
(ENTITY NAME)

SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES (ALL TAX SUPPORTED FUNDS)

For The Year Ended December 31, ____

1	2	3	4	5	6	7	8	9
FUND NO.	FUND NAME	TAXES RECEIVABLE 01/01/____	TAX RATE $/1,000	TAXES LEVIED REPORT YEAR	TAXES COLLECTED	TAX ADJUSTMENT INCREASES	TAX ADJUSTMENT DECREASES	TAXES RECEIVABLE 12/31/____ (3+5-6+7-8)

SCHEDULE 09 - LONG-TERM DEBT

This schedule provides information about the **long-term debt** of the local government. It is also used to corroborate the amounts of long-term debt shown on any balance sheets and the amounts of debt service (principal only) shown on operating statements. Finally, this schedule is used to collect information about the financial position of special purpose districts that use a city or county treasury.

For Schedule 09, there are four categories of debt: general debt, revenue debt, assessment debt, and refunded debt. A separate debt schedule should be prepared for each category of your debt. The appropriate category should be indicated at the top of each page. Finally, there should be one more schedule listing of all special purpose district debt, regardless of whether it is general, revenue, refunded or assessment. (Identifying numbers must be provided for special purpose district debt, which will serve to distinguish these categories.)

Any debt category may contain numerous kinds of debt instruments. For example, general debt is not limited to general obligation bonds but can also contain bond anticipation notes, claims and judgments, installment sales contracts, lease-purchase agreements, etc.

As a practical matter, it is permissible to classify capital leases, including lease-purchase agreements, in enterprise funds (but not internal service funds) as "revenue debt" and to classify all other capital leases as general debt. The existence of a fiscal funding clause (which allows termination of a lease if revenue sources become inadequate) has no effect on the classification of a lease as general or revenue debt.

Assessment debt is distinguished by those whom it will benefit, namely, properties within a specific geographical area (i.e., a local improvement district or LID). The resources to pay assessment debt will come (at least partly) from assessments levied on the benefiting properties. These benefiting properties are called LIDs (local improvement districts), RIDs (road improvement districts), ULIDs (utility local improvement districts), and some other types such as sidewalk improvement districts. Do not confuse an LID with a special purpose district; an LID is simply a special assessment tax roll, while a special purpose district is actually a separate unit of government.

Special purpose district debt includes all debt for which the preparer has fiduciary responsibility but another government has the responsibility for payment. This category of debt is common in counties, which have fiduciary duties for fire, school, park, water and many other kinds of districts. All school district long-term debt may be combined and shown on one line. For all other special purpose districts, the individual district responsible for each debt must be identified, and similar districts should be grouped together on the schedule. For example, all debt of fire districts should be shown, then all debt of water districts, then all debt of sewer districts, and so on.

This schedule may be submitted in any format, so long as the required information is provided.

NOTE: For Schedule 09, list all bonded debt at par. Include principal only on all debt. Do not include any interfund debt, liabilities for deferred compensation, employee leave benefits or any short-term debt (less than one year). Generally, construction contracts are not considered debt except to the extent the contractor has performed.

IDENTIFYING NUMBER AND DESCRIPTION:

The numbers and descriptions below must be used on the Schedule 09. Typical debt instruments are listed within each category of debt. The first three digits of the identification numbers correspond to the BARS general ledger accounts, which contains detailed descriptions of these instruments.

I.D. No. **GENERAL DEBT** - Debt backed by the government's full taxing authority.

251.11 General Obligation Bonds for Capital Purposes - (No Vote Required)
251.12 General Obligation Bonds for Capital Purposes - (Vote Required)
251.15 General Obligation Bonds for Capital Purposes - Advance Refunding - Defeasance Method
251.16 General Obligation Bonds for Capital Purposes - Advance Refunding - Crossover Method
251.41 General Obligation Bonds for M and O Purposes* - (No Vote Required)
251.42 General Obligation Bonds for M and O Purposes - (Vote Required)
251.45 General Obligation Bonds for M and O Purposes - Advance Refunding - Defeasance Method
251.46 General Obligation Bonds for M and O Purposes - Advance Refunding - Crossover Method
263.11 Claims and Judgments (Long-Term Only)
263.51 Installment Sales Contracts
263.53 Lease-Purchase Agreements
263.55 Other Capital Leases
263.61 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.64 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.66 Other Notes Payable for Capital Purposes
263.68 Other Notes Payable for M and O Purposes
263.81 Due to Other Governmental Units for Capital Purposes (Long-Term Debt Only. An example is the amount due to the state retirement system for pension systems prior to PERS and LEOFF)
263.84 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
263.91 Miscellaneous Long-Term General Debt for Capital Purposes
263.94 Miscellaneous Long-Term General Debt for M and O Purposes

* M and O refers to Maintenance and Operation.

I.D. No. **REVENUE DEBT** - Debt backed by specific revenue sources.

252.11 Revenue Bonds for Capital Purposes - (No Vote Required)
252.12 Revenue Bonds for Capital Purposes - (Vote Required)
252.15 Revenue Bonds for Capital Purposes - Advance Refunding - Defeasance Method
252.16 Revenue Bonds for Capital Purposes - Advance Refunding - Crossover Method
252.41 Revenue Bonds for M and O Purposes - (No Vote Required)
252.42 Revenue Bonds for M and O Purposes - (Vote Required)
252.45 Revenue Bonds for M and O Purposes - Advance Refunding - Defeasance Method
252.46 Revenue Bonds for M and O Purposes - Advance Refunding - Crossover Method
263.12 Claims and Judgments (Long-Term Only)
263.41 Revenue Warrants (Coupon Warrants) for Capital Purposes
263.44 Revenue Warrants (Coupon Warrants) for M and O Purposes
263.52 Installment Sales Contracts
263.54 Lease-Purchase Agreements
263.56 Other Capital Leases

263.62 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.65 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.67 Other Notes Payable for Capital Purposes
263.69 Other Notes Payable for M and O Purposes
263.82 Due to Other Governmental Units for Capital Purposes (Long-Term only)
263.85 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
263.92 Miscellaneous Long-Term Revenue Debt for Capital Purposes
263.95 Miscellaneous Long-Term Revenue Debt for M and O Purposes

I.D. No. **ASSESSMENT DEBT** - Debt secured by assessments levied against a specific group of properties.

253.11 Special Assessment Bonds - LID
253.12 Special Assessment Bonds - ULID
253.13 Special Assessment Bonds - RID
253.14 Special Assessment Bonds - Other
253.15 Special Assessment Bonds - Advance Refunding - Defeasance Method
253.16 Special Assessment Bonds - Advance refunding - Crossover Method
263.43 LID Warrants
263.63 LID Notes
263.99 Miscellaneous Long-Term Assessment Debt

I.D. No. **REFUNDED DEBT**

251.90 General Obligation Bonds - Advance Refunded
252.90 Revenue Bond - Advance Refunded
253.90 Special Assessment Bonds - Advance Refunded

SPECIAL PURPOSE DISTRICT DEBT - General, refunded, revenue and special assessment debt of special purpose districts. These debts should be grouped by district type; for example, fire districts, then school districts, then sewer districts, etc. Do not confuse *special assessment districts* with *special purpose districts*.

I.D. No. **SPECIAL PURPOSE DISTRICTS**

251.11 General Obligation Bonds for Capital Purposes - (No Vote Required)
251.12 General Obligation Bonds for Capital Purposes - (Vote Required)
251.15 General Obligation Bonds for Capital Purposes - Advance Refunding - Defeasance Method
251.16 General Obligation Bonds for Capital Purposes - Advance Refunding - Crossover Method
251.41 General Obligation Bonds for M and O Purposes - (No Vote Required)
251.42 General Obligation Bonds for M and O Purposes - (Vote Required)
251.45 General Obligation Bonds for M and O Purposes - Advance Refunding - Defeasance Method
251.46 General Obligation Bonds for M and O Purposes - Advance Refunding - Crossover Method
251.90 General Obligation Bonds - Advance Refunded
252.11 Revenue Bonds for Capital Purposes - (No Vote Required)
252.12 Revenue Bonds for Capital Purposes - (Vote Required)
252.15 Revenue Bonds for Capital Purposes - Advance Refunding - Defeasance Method
252.16 Revenue Bonds for Capital Purposes - Advance Refunding - Crossover Method
252.41 Revenue Bonds for M and O - (No Vote Required)
252.42 Revenue Bonds for M and O - (Vote Required)

252.45 Revenue Bonds for M and O - Advance Refunding - Defeasance Method
252.46 Revenue Bonds for M and O - Advance Refunding - Crossover Method
252.90 Revenue Bond - Advance Refunded
253.11 Special Assessment Bonds - LID
253.12 Special Assessment Bonds - ULID
253.13 Special Assessment Bonds - RID
253.14 Special Assessment Bonds - Other
253.15 Special Assessment Bonds - Advance Refunding - Defeasance Method
253.16 Special Assessment Bonds - Advance Refunding - Crossover Method
253.90 Special Assessment Bonds - Advance Refunded
263.41 Revenue Warrants (Coupon Warrants) for Capital Purposes
263.43 LID Warrants for Capital Purposes
263.44 Revenue Warrants (Coupon Warrants) for M and O Purposes
263.63 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.66 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
263.83 Due to Other Governmental Units for Capital Purposes (Long-Term Only)
263.86 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
263.91 Miscellaneous Long-Term General Debt for Capital Purposes
263.94 Miscellaneous Long-Term General Debt for M And O Purposes

IDENTIFYING NUMBER:

Include appropriate number (see the listing on previous pages).

DATE OF ORIGINAL ISSUE/DATE OF MATURITY These columns are self-explanatory.

(1) BEGINNING OUTSTANDING DEBT This column should include the amount of debt that was owed at the beginning of this period. The amount shown should equal the last year ending balance. If there is a discrepancy, please attach an explanation.

(2) AMOUNT ISSUED IN CURRENT YEAR In this column report the entire amount of any new debt or any additional debt issued (or borrowed) during the current period. For example, assume a G.O. bond authorized in the previous year at $5,000,000, with $4,000,000 issued that year and an additional $500,000 issued in the report year. Under these circumstances, this column should show $500,000.

(3) AMOUNT REDEEMED IN CURRENT YEAR In this column, report the amount of debt that was paid this period. Do NOT include interest paid on the redeemed debt. The total amount in this column should equal long-term payments shown on Schedule 5 (Object code 70).

BARS CODE FOR REDEMPTION/REDEEMING FUND NUMBER Include BARS (either general or subsidiary ledger) codes used for posting of the redemption of the debt. Also provide fund number in which the redemption occurred. You may use more than one line if the redemption of the debt was split among several funds.

(4) ENDING OUTSTANDING DEBT In this column, report the amount of debt that is owed at the end of this period.

Ending outstanding debt (column (4)) is calculated by adding the amounts in columns (1) and (2) and subtracting redeemed debt in column (3).

$$(1) + (2) - (3) = (4)$$

Total those columns for each debt type.

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Page ____ of ____

SAMPLE COUNTY
(ENTITY NAME)

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2002

X G.O. Debt
___ Revenue Debt
___ Assessment Debt
___ Refunded Debt
___ Debt of Special Purpose Districts

ID. No.	Date of Original Issue	Date of Maturity	(1) Beginning Outstanding Debt 01/01/02 (Ending Outstanding Debt Balance from Prior Year)	(2) Amount Issued in Current Year	(3) Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	(4) Ending Outstanding Debt 12/31/02 (1)+(2)-(3)
251.12	03/99	03/19	$4,400,000	—	$100,000	582.__ __.__ __ 591.1 2.7 0 599.__ __.__ __	001	—
251.12	03/99	03/19	$4,400,000	—	$100,000	582.__ __.__ __ 591.1 2.7 0 599.__ __.__ __	201	$4,200,000
251.41	06/94	06/05	$3,000,000	$500,000	$400,000	582.3 5.7 0 591.__ __.__ __ 599.__ __.__ __	405	$3,100,000
251.15	12/97	12/17	0	$500,000	— — —	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __		$500,000
Total			$7,400,000	$1,000,000	$600,000			$7,800,000

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Page ____ of ____

SAMPLE COUNTY
(ENTITY NAME)

___ G.O. Debt
_X_ Revenue Debt
___ Assessment Debt
___ Refunded Debt
___ Debt of Special Purpose Districts

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2002

ID. No.	Date of Original Issue	Date of Maturity	(1) Beginning Outstanding Debt 01/01/02 (Ending Outstanding Debt Balance from Prior Year)	(2) Amount Issued in Current Year	(3) Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	(4) Ending Outstanding Debt 12/31/02 (1)+(2)-(3)
252.11	04/98	04/18	$300,000	—	$100,000	582.3 5.7 0 591.__ __.__ __ 599.__ __.__ __	401	$200,000
263.95	08/96	08/06	$1,200,000	$300,000	— — —	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __		$1,500,000
Total			$1,500,000	$300,000	$100,000			$1,700,000

EFF DATE 01-01-02
SUPERSEDES 01-01-01
BARS MANUAL: VOL 1 PT 4 CH 8 PAGE 35

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EFF DATE 01-01-02

SUPERSEDES 01-01-01

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SAMPLE COUNTY
(ENTITY NAME)

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2002

___ G.O. Debt
___ Revenue Debt
_X_ Assessment Debt
___ Refunded Debt
___ Debt of Special Purpose Districts

ID. No.	Date of Original Issue	Date of Maturity	(1) Beginning Outstanding Debt 01/01/02 (Ending Outstanding Debt Balance from Prior Year)	(2) Amount Issued in Current Year	(3) Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	(4) Ending Outstanding Debt 12/31/02 (1)+(2)-(3)
253.11	10/99	10/19	$1,500,000	—	$400,000	582.__ __.__ __ 591.4 2.7 0 599.__ __.__ __	203	$1,100,000
253.13	10/97	10/17	—	$3,000,000		582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __		$3,000,000
Total			$1,500,000	$3,000,000	$400,000			$4,100,000

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SAMPLE COUNTY
(ENTITY NAME)

___ G.O. Debt
___ Revenue Debt
___ Assessment Debt
_X_ Refunded Debt
___ Debt of Special Purpose Districts

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2002

ID. No.	Date of Original Issue	Date of Maturity	(1) Beginning Outstanding Debt 01/01/02 (Ending Outstanding Debt Balance from Prior Year)	(2) Amount Issued in Current Year	(3) Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	(4) Ending Outstanding Debt 12/31/02 (1)+(2)-(3)
251.90	08/97	08/17	$500,000	—	$500,000	582.__ __.__ __ 591.__ __.__ __ 599.8 9.7 0	202	0
Total			$500,000	—	$500,000			0

EFF DATE 01-01-02
SUPERSEDES 01-01-01
BARS MANUAL: VOL 1 PT 4 CH 8 PAGE 37

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SAMPLE COUNTY
(ENTITY NAME)

___ G.O. Debt
___ Revenue Debt
___ Assessment Debt
___ Refunded Debt
_X_ Debt of Special Purpose Districts

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2002

ID. No.	Date of Original Issue	Date of Maturity	(1) Beginning Outstanding Debt 01/01/02 (Ending Outstanding Debt Balance from Prior Year)	(2) Amount Issued in Current Year	(3) Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	(4) Ending Outstanding Debt 12/31/02 (1)+(2)-(3)
Fire District No. 10						582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __		
251.12	03/89	03/09	$2,000,000	—	$300,000	582.__ __.__ __ 591.2 5.7 0 599.__ __.__ __	661	$1,700,000
School District No. 21						582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __		
251.12	06/95	06/05	$4,000,000	$500,000		582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __		$4,500,000
Total All Districts			$6,000,000	$500,000	$300,000			$6,200,000

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_____
(ENTITY NAME)

___ G.O. Debt
___ Revenue Debt
___ Assessment Debt
___ Refunded Debt
___ Debt of Special Purpose Districts

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, ____

ID. No.	Date of Original Issue	Date of Maturity	(1) Beginning Outstanding Debt 01/01/____ (Ending Outstanding Debt Balance from Prior Year)	(2) Amount Issued in Current Year	(3) Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	(4) Ending Outstanding Debt 12/31/____ (1)+(2)-(3)
					_____ _____ _____	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __	_____ _____ _____	
					_____ _____ _____	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __	_____ _____ _____	
					_____ _____ _____	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __	_____ _____ _____	
					_____ _____ _____	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __	_____ _____ _____	
					_____ _____ _____	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __	_____ _____ _____	
					_____ _____ _____	582.__ __.__ __ 591.__ __.__ __ 599.__ __.__ __	_____ _____ _____	

SCHEDULE 10 - LIMITATION OF INDEBTEDNESS

All Category 1 counties and cities must complete this schedule. This section includes one schedule for counties, and one for cities. With the proper adjustments, either schedule can be used by any municipality to compute its debt limit.

When making this calculation, all general obligations of the county or city and all applicable cash on hand, or its equivalent, available for the payment of general obligations should be included.

General obligations consist of the following:

1. General Obligation Bonds (Voted and Nonvoted), including bond anticipation notes which are to be paid off with the proceeds of the bonds. Include interest only if it has matured and is due and payable.

2. Deep discount debt (e.g., zero coupon bonds). Report the face amount of the bond less the unamortized portion of the discount.

3. Warrants and registered warrants issued against the general (current expense) or other tax supported funds.

4. Executory conditional sales or installment sales contracts pledging the full faith and credit of the taxing district. (RCW 39.30.010)

5. Accounts payable, final judgements payable or combined obligations of the general or other tax supported funds.

6. Compensated absences (e.g., vacation and sick leave), to the extent that they are certain obligations of a determined amount, or employee vested.

7. Other obligations of the general or other tax supported funds, except for loan agreements with agencies of the state of Washington or the U.S.A. dated on or after April 3, 1987. (RCW 39.36.060 and 39.69.020)

8. Obligations of internal service funds that provide services to the general or other tax supported funds.

9. Municipal leases (RCW 35.42.200)

NOTE: Counties should not include debt of junior taxing districts.

The following obligations do not constitute debt for debt limitation purposes:

1. Contingent liabilities;

2. Obligations payable from special funds and solely from unanticipated service revenue;

3. Accrued interest that has not matured;

4. Refunded or revenue debt; and

5. Interfund loans.

SCHEDULE 10 - (Continued)

Applicable cash or its equivalent, as used herein, shall consist of and be limited to the following:

1. Cash and investments on hand in special debt redemption funds reserved exclusively for use in repaying outstanding general obligations.

2. Uncollected ad valorem taxes levied expressly for the purpose of paying general bonded indebtedness.

3. Cash and investments on hand in other than special debt redemption funds; uncollected ad valorem taxes levied for other than special debt redemption funds, and accounts receivable due from other funds of the same taxing district not supported by taxation or from other governmental units, the payment of which has been officially authorized: Provided, that such cash assets may only be considered as offsets against outstanding warrants and other current obligations of the same funds.

Do not include cash or investments that will be used to make interest payments during the initial months of the subsequent fiscal year prior to property tax collections. Also, do not include uncollected taxes from prior years except taxes specifically levied for debt redemption.

LEGAL LIMITS OF INDEBTEDNESS (RCW 39.36.020 and 35.42.200)

1. Indebtedness For General Purposes Without A Vote Of The People.

   LEGAL LIMIT @ 1½% on the value of taxable property for counties, cities, and towns.

   LEGAL LIMIT @ 3/8 of 1% on the value of taxable property for most other municipalities.

   Separate limits exist for cemetery districts (RCW 68.52.310), park districts (RCW 35.61.100 through 35.61.110), port districts (RCW 53.36.030), school districts (RCW 28A.530.010), sewer districts (RCW 56.16.010), and water districts (RCW 57.20.110 and 57.20.120).

2. Indebtedness For General Purposes Without A Vote Of The People (Capital Leases). Applies ONLY to cities and towns.

   LEGAL LIMIT @ 1½% on the value of taxable property for cities and towns.

3. Indebtedness For General Purposes With A 3/5 Vote Of The People.

   LEGAL LIMIT @ 2½% on the value of taxable property for counties, cities, and towns.

4. Indebtedness For City Or Town Utility Purposes With A 3/5 Vote Of The People.

   LEGAL LIMIT @ 2½% on the value of taxable property.

5. Indebtedness For Open Space, Park Facilities, And Capital Facilities associated with economic development With A 3/5 Vote Of The People. Applies ONLY to cities and towns.

   LEGAL LIMIT @ 2½% on the value of taxable property.

SCHEDULE 10 - (Continued)

The value of taxable property is the actual value of taxable property in the county, city or town, ascertained by the last assessment for state or county purposes. Incorporated cities should also include the timber value as defined in RCW 84.33.035.

The last assessed valuation is the valuation placed on the last completed and balanced tax rolls of the county preceding the date of contracting the debt or incurring liability (RCW 39.36.010 and .015). By the time this schedule is prepared, assessed valuation data has been updated for next year's tax levy. The most current assessed value available should be used.

NOTES TO PREPARER - COUNTIES:

1. The total indebtedness for general purposes with or without a vote cannot exceed 2½% of the value of taxable property.

2. The 1.5% of indebtedness available without a vote is valid only if the amount of indebtedness with a vote is 1% or less. Any indebtedness with a vote in excess of 1% will proportionately reduce the margin available without a vote.

3. When calculating indebtedness include all applicable assets and liabilities.

4. If assets equal or exceed liabilities, record zero for indebtedness incurred.

NOTES TO PREPARER - CITIES:

1. The total indebtedness for general purposes with or without a vote cannot exceed 2½% of the value of taxable property. General purpose indebtedness includes debt for capital leases without a vote. The legal limit for capital lease debt (RCW 35.42.200) is included in the 2½% and does not constitute extra allowable debt.

2. The 1.5% of indebtedness available without a vote is proportionately reduced by capital lease debt or any indebtedness with a vote in excess of 1%.

3. Indebtedness for utility or open space, park facilities, and capital facilities associated with economic development purposes with a vote may exceed 2½% of the value of taxable property (up to 5%). Any excess will proportionately reduce the margin still available for general purposes.

4. The total indebtedness combined cannot exceed 7½% of the value of taxable property.

5. When calculating indebtedness, include all applicable assets and liabilities.

6. If assets equal or exceed liabilities, record zero for indebtedness incurred.

_____

(COUNTY NAME)

Schedule Of Limitation Of Indebtedness
As Of December 31, ____

Total Taxable Property Value $ _____

I. Indebtedness For General Purposes Without A Vote

Legal Limit 1.5% Of Taxable Property Value		$ _____	
Indebtedness (Liabilities):			
GO Bonds	$ _____		
Others	$ _____		
Less Assets Available	$ _____		
Indebtedness Incurred - Section I		$ _____	
Indebtedness Margin Before Excess		$ _____	
Indebtedness Incurred From Section II In Excess Of 1% Of Taxable Property Value		$ _____*	
Margin Of Indebtedness Available Without A Vote		$ _____	

II. Indebtedness For General Purposes With 3/5 Vote

Legal Limit 2.5% Of Taxable Property Value		$ _____	
Indebtedness (Liabilities):			
GO Bonds	$ _____		
Others	$ _____		
Less Assets Available	$ _____		$ _____
Indebtedness Incurred - Section II		$ _____*	
			$ _____
Margin Of Indebtedness Available With 3/5 Vote		$ _____	
			$ _____
Total Indebtedness Allowable (Legal Limit 2.5%)			
			$ _____
Less: Indebtedness Incurred - Section I			
Less: Indebtedness Incurred - Section II			
MARGIN OF INDEBTEDNESS AVAILABLE			

* See Notes To Preparer No. 2

_____

(CITY NAME)
Schedule Of Limitation Of Indebtedness
As Of December 31, ____

Total Taxable Property Value $ _____

I. General Purpose Indebtedness (Legal Limit 2.5% Of Taxable Property Value) $ _____

A. General Purpose Indebtedness Without A Vote (Legal Limit 1.5%) $ _____

Indebtedness (Liabilities):		
GO Bonds	$ _____	
Others	$ _____	
Less Assets Available	$ _____	
Indebtedness Incurred - Section A		$ _____
Indebtedness Margin - Section A		$ _____

B. Capital Lease Without A Vote (Legal Limit 1.5%)

		$ _____
Capital Leases Payable		
Less Assets Available	$ _____	
Indebtedness Incurred - Section BIndebt	$ _____	
		$ _____
		$ _____

C. General Purpose Indebtedness With A Vote (Legal Limit 2.5%) $ _____

Indebtedness (Liabilities):		
GO Bonds	$ _____	
Others	$ _____	
Less Assets Available	$ _____	
Indebtedness Incurred - Section CIndebt		$ _____
		$ _____

Less: Indebtedness Incurred - General Purposes (Sections A+B+C) $ _____

Less: Indebtedness From Section II In Excess of 2.5% Of Property Value $ _____

Less: Indebtedness From Section III In Excess of 2.5% Of Property Value $ _____

Margin Of Indebtedness Available - General Purposes $ _____

_____

(CITY NAME)
Schedule Of Limitation Of Indebtedness
As Of December 31, ____

II.	Indebtedness For Utility Purposes With 3/5 Vote (Legal Limit 2.5%)		$ _____
	Indebtedness (Liabilities):		
	GO Bonds	$ _____	
	Others	$ _____	
	Less Assets Available	$ _____	
	Indebtedness Incurred - Utility		$ _____
	Indebtedness Margin - Utility Purposes		$_____*
III.	Indebtedness For Open Space And Parks Facilities <u>With</u> 3/5 Vote (Legal Limit 2.5%)		$ _____
	Indebtedness (Liabilities):		
	GO Bonds	$ _____	
	Others	$ _____	
	Less Assets Available	$ _____	
	Indebtedness Incurred - Open Space, Parks Facilities, And Capital Facilities		$ _____
	Indebtedness Margin - Open Space And Parks Facilities		$_____*

Total Indebtedness Allowable (Legal Limit 7.5%)	$ _____
Less: Indebtedness Incurred - General Purposes	$ _____
Less: Indebtedness Incurred - Utility Purposes	$ _____
Less: Indebtedness Incurred - Open Space and Parks Facilities	$ _____
MARGIN OF INDEBTEDNESS AVAILABLE	$ _____

* See Notes To Preparer No. 3.

SCHEDULE 11 - CASH ACTIVITY

THIS SCHEDULE DOES NOT APPLY TO CITIES.

This schedule provides information about the total cash inflows and outflows of the local government. It is used to identify the number of funds and to verify that financial statements and schedules include all the funds of the government. This schedule is also used to evaluate accounting control over the total receipts and disbursements to reconcile fund receipts and disbursements with fund revenues and expenditures, and to corroborate the amounts of cash shown on any balance sheets. Finally, it is used to collect information about the financial activity and cash position of special purpose districts that use a city or county treasury.

This schedule must be prepared for all funds. Surplus cash invested that is not attributed to any specific fund is to be reported on a separate line at the end of the fund listings. Beginning and ending balances of cash should not include investments. (See Schedule 11 example.)

The columns headed *Investments Liquidated* and *Investments Acquired* should contain the total amount of investment principal sold or purchased, regardless of whether the transaction was made by receipt, warrant, treasurer's check, interfund transfer, or electronic funds transfer. The amounts in these columns should, therefore, equal the corresponding columns in Schedule 12. Any money received in excess of the purchase price when an investment is liquidated (sold) must be recorded as a receipt or transfer in, not in the *Investments Liquidated* column.

Transfers in and out of the various funds refer to those moneys taken out of one fund and placed into another fund by means other than through the issuance of a warrant and the writing of a receipt. All transfers-in must equal total transfers-out, including transfers to claims/payroll funds.

In those entities that use claims and payroll clearing funds, the cash taken out of the various operating funds and put into the clearing fund will be treated as *Transfers-Out to Claims/Payroll Funds* in the operating funds and as *Transfers-In* in the applicable clearing funds.

All moneys received from outside the municipality, other than the purchase price of investments sold, must be reported in the *Receipts* column. All treasurer's checks issued, other than for the purchase of investments, must be reported in the *Disbursements* column.

In counties, all school districts may be combined and shown on one line. With that one exception, when reporting funds that belong to others, list each fund separately and group by type, such as "State, Cities and Towns, Water Districts, Fire Districts, etc." LIST EACH FUND ON A SEPARATE LINE IN FUND NUMBER SEQUENCE and provide a total for each group.

Please provide a line for "Total Fund Cash" then list any "Surplus Cash Invested" as shown in the Schedule 11 example and a line for "Total Net Cash." This presentation is necessary to prevent any duplication of reporting "Surplus Cash Invested" balances, in both Schedules 11 and 12.

This schedule may be submitted in any format so long as the required information is provided.

COUNTY OF PERFECT
(ENTITY NAME)
SCHEDULE OF CASH ACTIVITY
For The Year Ended December 31, 2002

EFF DATE 01-01-02
SUPERSEDES 01-01-01
BARS MANUAL: VOL 1 PT 4 CH 8 PAGE 48

		CASH ACTIVITY-IN				
FUND NO.	DESCRIPTION	BEGINNING BALANCE	RECEIPTS	INVESTMENTS LIQUIDATED	TRANSFERS-IN	TOTAL AVAILABLE
001	Current Expense Fund	$ 40,474	$476,053	$ 30,000	$ 34,661	$ 581,188
101	Street Fund	22,935	116,594	18,000	-	157,529
102	Arterial Fund	8,429	54,690	115,000	-	178,119
105	Park Fund	9,025	34,057	25,000	1,000	69,082
201	1995 G.O. Bond Redemption	11,742	88,744	32,000	-	132,486
401	Water/Sewer Fund	17,830	295,304	180,000	2,764	495,898
403	Solid Waste	12,241	753	10,000	56,499	79,493
411	1996 Bond and Reserve Fund	9,792	3,856	50,000	67,275	130,923
501	Equipment Rental Fund	481	9,102	240,000	73,990	323,573
631	Claims Clearing	20,847	-	-	500,110	520,957
632	Payroll Clearing	14,938	-	-	587,952	602,890
	Total Fund Cash	168,734	1,079,153	700,000	1,324,251	3,272,138
XXX	Surplus Cash Invested	(77,684)	-	618,214	-	540,530
	TOTAL NET CASH	$ 91,050	$1,079,153	$1,318,214	$1,324,251	$3,812,668

MCAG NO. _____

_____
(ENTITY NAME)

SCHEDULE OF CASH ACTIVITY

For The Year Ended December 31, ____

		CASH ACTIVITY-IN				
FUND NO.	DESCRIPTION	BEGINNING BALANCE	RECEIPTS	INVESTMENTS LIQUIDATED	TRANSFERS-IN	TOTAL AVAILABLE

COUNTY OF PERFECT
(ENTITY NAME)
SCHEDULE OF CASH ACTIVITY
For The Year Ended December 31, 2002

CASH ACTIVITY-OUT						
FUND NO.	INVESTMENTS ACQUIRED	TRANSFERS OUT TO CLAIMS/PAYROLL	OTHER TRANSFERS OUT	DISBURSEMENTS	TOTAL USED	ENDING BALANCE
001	$ 25,000	$ 498,677	$ 36,000	$ 6,036	$ 565,713	$15,475
101	15,000	113,313	20,000	640	148,953	8,576
102	30,000	127,897	-	9,521	167,418	10,701
105	20,000	33,860	3,432	6,508	63,800	5,282
201	36,000	-	-	89,250	125,250	7,236
401	180,000	139,282	150,774	19,000	489,056	6,842
403	2,000	58,693	18,000	-	78,693	800
411	50,000	-	-	71,500	121,500	9,423
501	200,000	116,340	-	-	316,340	7,233
631	-	-	7,983	462,941	470,924	50,033
632	-	-	-	574,047	574,047	28,843
	558,000	1,088,062	236,189	1,239,443	3,121,694	150,444
XXX	621,472	-	-	-	621,472	(80,942)
	$1,179,472	$1,088,062	$236,189	$1,239,443	$3,743,166	$ 69,502

MCAG NO. _____

_____
(ENTITY NAME)

SCHEDULE OF CASH ACTIVITY

For The Year Ended December 31, ____

CASH ACTIVITY-OUT						
FUND NO.	INVESTMENTS ACQUIRED	TRANSFERS OUT TO CLAIMS/PAYROLL	OTHER TRANSFERS OUT	DISBURSEMENTS	TOTAL USED	ENDING BALANCE

SCHEDULE 12 - INVESTMENT ACTIVITY

THIS SCHEDULE DOES NOT APPLY TO CITIES.

This schedule provides information about the total investment activity of the local government. It is used to corroborate the investment balances shown on any balance sheets and to evaluate accounting control over investments. This schedule is also used to determine whether interest revenue is properly reported on the government's financial statements. Finally, this schedule is used to collect information about the financial position of special purpose districts that use a city or county treasury.

The schedule should be prepared on the same basis as accounting records for investments (e.g., at cost, etc.). If cost based accounting is used, please provide the fair value of investments in the last column of the schedule.

Do not report interest earnings or accruals on this schedule, **except** when reinvested. You may use the *Reinvested Interest* column or report it together with other investments in *Acquired* column.

This schedule must be prepared for all funds within the treasurer's or finance officer's custody. Investments of cash surplus are not considered to be investments of a specific fund, therefore, they are listed on a separate line at the end of the fund investment listings.

In counties, all school districts may be combined and shown on one line. For other districts, list each fund on a separate line in fund number sequence and provide a total for each district.

Please provide a line for *Total Fund Investments* and a line for *Total All Investments*. (See Schedule 12 example.) Also note that the columns headed *Investments Liquidated* and *Investments Acquired* should equal the corresponding column amounts on Schedule 11.

This schedule may be submitted in any format as long as the required information is provided.

MCAG NO. 9870

COUNTY OF PERFECT
(ENTITY NAME)

SCHEDULE OF INVESTMENT ACTIVITY - ALL FUNDS

For The Year Ended December 31, 2002

FUND NO.	DESCRIPTION	BEGINNING INVESTMENT BALANCE 01/01/2002	INVESTMENT		REINVESTED INTEREST	ENDING INVESTMENT BALANCE 12/31/2002 (At Cost)	ENDING INVESTMENT BALANCE 12/31/2002 (At Fair Value)
			ACQUIRED	LIQUIDATED			
001	Current Expense Fund	$50,000	$20,000	$30,000	$5,000	$45,000	$42,000
101	Street Fund	5,000	15,000	18,000		2,000	2,050
102	Arterial Street Fund	90,000	30,000	115,000		5,000	5,000
105	Parks Fund	10,000	20,000	25,000		5,000	4,850
201	1995 G.O Bond Redemption	16,000	36,000	32,000		20,000	20,000
401	Water/Sewer Fund	80,000	180,000	180,000		80,000	81,000
403	Solid Waste	15,000	1,800	10,000	200	7,000	7,800
411	1996 Bond and Reserve Fund	50,000	50,000	50,000		50,000	50,000
501	Equipment Rental Fund	120,000	200,000	240,000		80,000	76,500
	Total Fund Investments	436,000	552,800	700,000	5,200	294,000	289,200
XXX	Surplus Cash Invested	77,684	621,472	618,214	—	80,942	80,942
	TOTAL ALL INVESTMENTS	$513,684	$1,174,272	$1,318,214	$5,200	$374,942	$370,142

MCAG NO. ____

_____
(ENTITY NAME)

SCHEDULE OF INVESTMENT ACTIVITY - ALL FUNDS

For The Year Ended December 31, _____

FUND NO.	DESCRIPTION	BEGINNING INVESTMENT BALANCE 01/01/____	INVESTMENT		REINVESTED INTEREST	ENDING INVESTMENT BALANCE 12/31/____ (At Cost)	ENDING INVESTMENT BALANCE 12/31/____ (At Fair Value)
			ACQUIRED	LIQUIDATED			

SCHEDULE 16 - EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

The Schedule of Financial Assistance is an essential document for planning and conducting the audit of your organization. It also serves to provide assurance to those agencies who award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

Schedule 16 is comprised of two schedules: (1) Schedule of Expenditures of Federal Awards and (2) Schedule of State and Local Financial Assistance.

Schedule of State and Local Financial Assistance

List on this schedule grants received directly or indirectly from state agencies (334), grants from other local governments (337), and program income. State shared revenues, apportionments, entitlements (BARS resource codes 335 and 336), and loans do not need to be included on this schedule.

List separately awards received from state and local governments. Provide a subtotal for both categories and a total for the entire schedule. In addition, list all financial assistance received from the same state agency together.

Schedule of Expenditures of Federal Awards

Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly from a state agency or local government. This schedule should be prepared for the year in which federal awards are expended. Preparation of this schedule should not be based on the date(s) that funds are received (e.g., advances or reimbursement). "Federal awards expended" include the following:

- Expenditure transactions associated with grants (include expenditures of military forest yields), cost-reimbursement contracts, cooperative agreements, and direct appropriations;
- Disbursement of funds passed through to subrecipients;
- Receipt of loan proceeds under loan and loan guarantee programs;
- Receipt of federal property and surplus property;
- Receipt or use of program income (see revolving loan exception below);
- Distribution or consumption of food commodities;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

List all awards from the same federal agency together on the schedule (for example, group all HUD awards together). Next, within each federal agency section, list all direct awards first followed by indirect awards.

Provide subtotals for programs with the same Catalog of Federal Domestic Assistance (CFDA) number. Also provide subtotals for assistance received directly and assistance received indirectly. Provide a total for each federal agency.

It is important to note that the "expenditures" reported on the Schedule of Expenditures of Federal Awards will not necessarily tie to those reported on the operating statement, especially if the federal awards include loans, insurance, or commodities. However, all amounts reported should agree or reconcile to records maintained by finance, budget, and treasury departments.

Valuation of Federal Loans and Noncash Assistance

Use the following guidelines to calculate the value of "federal awards expended" under loan programs:

(1) Amount of new loans received during the fiscal year, plus

(2) Balance of loans from previous years for which the Federal Government imposes continuing compliance requirements, plus

(3) Any interest subsidy, cash, or administrative cost allowance received.

NOTE: Loans, the proceeds of which were received and expended in prior years, are not considered Federal awards expended when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans

Noncash Assistance: Food Stamps, food commodities, donated property, and donated surplus property should be valued at fair market value at the time of receipt or the assessed value provided by the federal agency. The Notes to the Schedule of Financial Assistance should disclose the nature of the amounts reported.

Revolving Loans: According to the federal regulations, repayments of principal and interest are considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of Schedule 16, report only the amount of loan funds expended during the year.

Other preparation hints for both schedules

Often federal financial assistance received indirectly is a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in *the notes to the Schedule of Expenditures of Federal Awards*.

The funds received as *fee for services* (338) should not be included on the Schedule 16.

Records must agree or reconcile to those in finance, budget and treasury departments.

Example- Schedule of Expenditures of Federal Awards

Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials. If you receive federal funds indirectly, identify the state pass-through agency. Identify noncash awards in this column also.

Column 2 List the applicable CFDA number for each program. This is a five digit (XX.XXX) identification number assigned by the federal government and published in the Catalog of Federal Domestic Assistance. This number must be provided for all federal awards received either directly from a federal agency or indirectly through a state agency or local government.

Every effort should be made to obtain CFDA numbers. If the number is not provided on the award agreement or contract, contact the granting agency and request the number.

If you are unable to obtain the CFDA number, write "unknown".

Column 3 Use this column to report contract or grant numbers assigned by federal or state agencies, in addition to the CFDA number. If a number is not available, write "N/A."

Column 4 Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

NOTES TO SCHEDULE 16

At minimum, the notes to Schedule 16 should disclose the basis of accounting and any other significant accounting policies used in preparing the schedule. Also provide any information thay may be useful to the reader such as the nature of a revolving loan program or the method used to value commodities or other non-cash assistance.

OMB Circular A-133 has removed the requirement to identify major federal programs on the schedule of financial assistance. Instead, the auditor will identify major programs in his/her report.

MCAG NO. _____ _____ Schedule 16

(ENTITY NAME)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, _____

1	2	3	4
Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Other Identification Number	Current Year Expenditures

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

Example - Schedule of State and Local Financial Assistance

Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between agencies with similar names or initials.

Column 2 Use this column to report grant, contract or award numbers assigned by state or local agencies. If a number is not available, write "N/A."

Column 3 Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements).

MCAG NO. _____ _____ Schedule 16

(ENTITY NAME)

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE

For The Year Ended December 31, _____

1	2	3
Grantor/Program Title	Identification Number	Current Year Expenditures

The Accompanying Notes To The Schedule Of State and Local Financial Assistance Are An Integral Part Of This Schedule.

SAMPLE COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, _____

1	2	3	4	
Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Other Identification Number	Current Year Expenditures	
U.S. Dept of Agriculture Direct Programs:				
Water & Waste Disposal Systems (Loan)	10.418	L-97-48	$623,500	Note 4
Water & Waste Disposal Systems	10.418	C-530776-02-0	300,000	
Total Department of Agriculture	10.418		$923,500	Note 2
U.S. Dept of HUD Indirect Award from WA CTED:				
Community Development Block Grant	14.218	B-98-UC-83-0210	$207,720	
Community Development Block Grant	14.218	B-97-UC-63-0701	247,500	
Community Development Block Grant (Loan Program)	14.218	L-97-50	46,233	Note 3
Total CFDA Number	14.218		501,453	Note 2
Rental Rehabilitation Program	14.230	S98-UC5-00361	45,000	
Total Department of Housing and Urban Development			$546,453	
U.S. Dept of Transportation Direct Programs:				
Taxiway	20.106	3-52-0156-09	$515,000	
Airport Improvement Program	20.106	Not Available	674,634	
Total CFDA Number	20.106		1,189,634	Note 2
Noise Reduction	20.102	3-47-175-NI	45,000	
			1,234,634	
U.S. Dept of Transportation Indirect Award From WA State D.O.T.:				
Boating Safety Program	20.205	90-145-018	$150,000	
Highway Planning and Construction	20.205	ER-9001(003)	6,750	
Total CFDA Number	20.205		156,750	
Total Department of Transportation			$1,391,384	
Federal Emergency Management Agency Indirect Award From WA C.T.E.D:				
FEMA Disaster Assistance	83.516	10-254-TH	$43,750	
U.S. Dept of Health and Human Services Indirect Award From WA D.S.H.S:				
Maternal Child Health	93.994	1620-01579	$51,223	
Maternal Child Health (vaccine)	93.994	1620-01579	64,768	Note 5
Total CFDA Number	93.994		115,991	
Childhood Immunization (vaccine)	93.268	1620-01579	47,070	Note 5
Alcohol/Drug Abuse	93.992	1440-83463(2)	12,667	
Total Department of Health and Human Services			$175,728	
TOTAL FEDERAL AWARDS EXPENDED			$3,080,815	

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

SAMPLE COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(AND STATE/LOCAL FINANCIAL ASSISTANCE)

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the (city/ county/district)'s financial statements. The (city/county/district) uses the (describe the basis of accounting used by the city/county/district) .

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only (federal/state/local) grant portion of the program costs. Entire program costs, including the (city/county/district)'s portion, may be more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The (city/county/district) has a revolving loan program for low income housing. Under this federal program, repayments to the (city/county/district) are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was $_____ and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was $_____.

NOTE 4 - FEDERAL LOANS

The (city/county/district) has been approved by the Farm Home Administration to receive a loan totaling $_____ to build a sewer treatment plant.

The (city/county/district) also has prior year federal loans outstanding with balances totaling $_____. Both current and prior year loans are reported on the (city/county/district)'s Schedule of Long-Term Debt.

NOTE 5 - NONCASH AWARDS

The amount of (vaccine/dental items/commodities/surplus property/etc.) reported on the schedule is the value of (vaccine/dental items/commodities/surplus property/etc.) distributed by the (city/county/district) during current year and priced as prescribed by _____.

SAMPLE COUNTY, WASHINGTON
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For The Year Ended December 31, _____

1	2	3	
Grantor / Program Title	Identification Number	Current Year Expenditures	
WA State Energy Office:			
Energy Code Enforcement	1-90-743-09	$68,822	
Total WA State Energy Office		$68,822	
Department of Transportation:			
Division of Aeronautics	GC9434	$5,692	
Street Improvement	8008C011	122,500	
Total Department of Transportation		$128,192	
Department of Social and Health Services:			
Child Protective Services	6500-85008	$22,410	
Total Department of Social and Health Services		$22,410	
Department of Health:			
Maternal Child Health	1620-01579	$75,000	
Immunization; vaccine	1620-01579	58,890	Note 5
Shellfish	2600-02240	8,620	
Total Department of Health		$142,510	
TOTAL STATE ASSISTANCE		$361,934	
EMS Regional Council	N/A	$15,113	
City of Sample; Arts Grant	12345-678	3,115	
TOTAL LOCAL ASSISTANCE		$18,228	
TOTAL STATE AND LOCAL ASSISTANCE		$380,162	

The Accompanying Notes To The Schedule Of State And Local Financial Assistance Are An Integral Part Of This Schedule.

PROGRAM/CONTRACT ACCOUNTABILITY WORKSHEET INSTRUCTIONS

This worksheet is not mandatory but may save time in the preparation and review of the Schedule 16. The worksheet serves as a bridge between information you have in your administrative and accounting records and Schedule 16.

GENERAL INSTRUCTIONS

- Generally, any contract or agreement between your government and the federal government, state or local agency should be included in this schedule. Remember to include loans (federal only), program income, and noncash awards. See Part 3, Chapter 5 in this manual for additional discussion of grant accounting.

- Prepare a worksheet for capital grants in proprietary funds. Show the grants as revenues and the assets acquired as expenditures on this worksheet. Examples of this type of grant include water/sewer construction grants from the Environmental Protection Agency and the State Department of Ecology and ADAP grants from the Federal Aviation Agency for airports.

- Use a separate worksheet for each program.

- Use a separate worksheet for each grantor if a program is funded by more than one external source.

- Use a separate worksheet for each fiscal year of a program. For example, if you have a program funded on the state's fiscal year (July 1 -June 30), you need to prepare 2 worksheets, one for January through June and another for July through December. Show only those revenues and expenditures which apply to the calendar year.

- Total contract resources and expenditures should agree to your year-to-date municipal revenue and expenditure reports.

- Federal guarantee, loan, or insurance programs:

  - Any interest subsidy or administrative costs allowance received during the fiscal year under a loan or loan guarantee program should be included in the Schedule of Expenditures of Federal Awards.

  - The existence and value of federal guarantees, prior year loans or insurance programs which did not involve federal outlay during the fiscal year should be disclosed in a footnote on the Schedule of Expenditures of Federal Awards. For example, the outstanding balance of a farmers home loan should be so disclosed.

SPECIFIC LINE ITEM INSTRUCTIONS

Most items are self-explanatory. Specific instructions are as follows:

D3 Do not include amounts drawn down or invoiced in the current year for expenditure early in the following year.

C1a This line should include indirect costs allowed per the grant agreement and a cost allocation plan.

D5
C2 The amounts on these lines should be the same. "Program income" means gross income earned by the grantee from grant-supported activities. Such earnings include income from service fees, sales of grantor funded property and commodities, and usage or rental fees. For further details, see your grant agreement for administrative requirements.

D6 The total on this line should equal the amount on line C3.

D7b
C4b Matching revenues and matching expenditures: the amounts on these lines should be the same. On these lines you should include costs and cash "matching share" as defined in your grant agreement for administrative requirements, except for in-kind contributions. You should also include entity moneys expended for program purposes which are not required or do not qualify for match. "In-kind" should be reported separately on line F-6.

D8 The total on this line should equal the amount on line C5. Both amounts should agree to the total program revenues/expenditures reported in your municipal financial reports.

E7 The amount in this line should agree with the amount in line C3 and Column 4 ("Current Year Expenditures") on Schedule 16.

F4 See Part 3, Chapter 12, Interpretation 5 for discussion of the accounting treatment of advances. Do not include receivables from grantors, only those amounts already received by December 31. See NCGA Statement 2: "When grants, entitlements, or shared revenues have not been received nor the revenue recognition criteria met, they should not be reported on the balance sheet . . . ."

PROGRAM/CONTRACT ACCOUNTABILITY WORKSHEET (page 1 of 2)

Balances Shown are as of _____
(Date)

A. Agreement Identification:
Fund No. _____ Fund Name _____
Dept/Program No. _____ - _____ Dept/Program Name _____
Funding Source (s) _____
(Give name of federal/state/other department or agency)

_____
(Give federal/state/other program title)

_____ _____
(CFDA No.) (State Contract No.)

B. Agreement Period:
Beginning Date _____
Original Ending Date _____ Extended to _____

C. EXPENDITURES

Expenditure Codes: _____ - _____ - _____
_____ - _____ - _____
_____ - _____ - _____

1. External funding expended during current year:
   a. For entity's use _____
   b. Passed-through to subrecipients _____
2. Add: Current year expenditures from program income +_____
3. Total external funding source expenditures $_____
4. Add: Expenditures from local sources:
   a. Donations, etc. +_____
   b. Matching moneys +_____
5. Total program/contract expenditures $_____

D. REVENUES

Revenue Code: _____ - _____ - _____

1. Program/contract payments received during current year $_____
2. Less: Receipts for prior year expenditures _____

   Subtotal $_____
3. Add: Amounts billed but not received at year-end +_____
4. Add: Amounts expended in current year but not billed at year-end +_____
5. Add: Program income +_____
6. Total revenue provided by external funding source $_____
7. Add: Revenues from local sources:
   a. Donations, etc. +_____
   b. Matching moneys used in the program/contract +_____
8. Total program/contract resources $_____

E. BUDGET INFORMATION

1. Original award amount or contract limit $_____
2. Prior year(s) + amendments -_____
3. Current year + amendments -_____
4. Total award/contract amount $_____
5. Less: expenditures from prior year(s) -_____
6. Award/contract amount available for current year _____
7. Less: expenditures in current year -_____
8. Unexpended at year-end $
9. Has this unexpended amount expired?

   Yes No (Circle answer)
10. List dollars, if any, of this unexpended amount that are encumbered:

F. MISCELLANEOUS FINANCIAL INFORMATION

1. Program assets at year-end $
2. Program receivables $
3. Program payables at year-end $
4. External advances at year-end $
5. Interfund loans at year-end $
6. In-kind reported to grantor $
7. Moneys passed-through to subrecipients $
8. Expenditure code(s) for pass-through moneys _____-_____-_____

   _____-_____-_____

   _____-_____-_____

   _____-_____-_____

G. DISPOSITION OF ITEMS QUESTIONED IN PRIOR AUDITS OF THIS PROGRAM

	Question amount	Summary of current status (attach copies of correspondence with grantors supporting disposition)
1.	$_____	_____
2.	$_____	_____
3.	$_____	_____
4.	$_____	_____

H. REPORT DATA

1. Prepared by: _____
2. Phone Number: _____
3. Date Prepared: _____

PART 1 PUBLIC WORKS CONSTRUCTION BUDGET

THIS PART APPLIES TO CITIES AND COUNTIES

This report is required annually by RCW 35.22.620(4), 35.23.352(4), 35A.40.200, 36.32.235(11), 36.32.240(2), 39.04.070 and 43.09.205.

First class cities with a population less than 150,000, second class and code cities should only report public works projects greater than $5,000 (note that the $5,000 refers to the entire project and not just the current year portion) and not let by contract.

Also include projects performed by a county for a city under RCW 35.77.020.

Instructions for individual columns:

(a) This column is for the identifying account code that is used to track the project.

(b) This column is for the estimated total cost of the project. This should be the same as the budget for the total project.

(c) This column is to record the costs incurred on this project prior to the start of the year being reported.

(d) This column is to record the estimated current year costs of the project and should be the same as the current year portion of the capital project budget.

(e) This column is to record the actual costs of the project for the year being reported.

(f) This column is to record the total costs incurred for the project from inception through the end of the year being reported. It is the sum of the costs incurred in prior years (column c) and the costs incurred in the current year (column e)

(g) This column is to record the remaining expected costs for the project. It is the difference between the total estimated cost of the project (column b) and the total costs incurred for the project through the current year (column f).

MCAG NO. _____ **_____** **Schedule 17**

(COUNTY/CITY) **Part 1**

ANNUAL REPORT ON PUBLIC WORKS PROJECTS

For The Year January 1, ____ Thru December 31, ____

(a) BARS Account	(b) Total Project Budget	(c) Prior Years Completion	(d) Current Year Budget	(e) Current Year Actual	(f) Project Life-To-Date (c)+(e)	(g) Remaining Budget (b)-(f)

PART 2 COMPLIANCE WITH LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES

THIS PART APPLIES TO COUNTIES AND FIRST CLASS CITIES AND IS REQUIRED ANNUALLY BY RCW 35.22.620(4) AND 36.32.235(11).

Instructions for individual lines:

1. Use this line to record the total current public work construction budget, including any amendments.

2. Use this line to record the limitation on public works projects performed by public employees. RCW 35.22.620(2) and 36.32.235(8) set this limitation at 10 percent of line 1.

3. Use this line to subtract the amount, if any, that was in excess of the permitted amount in the prior budget period.

4. Use this line to record the limitation on public works performed by public employees for the current year (line 2 less line 3).

5. Use this line to record the total construction costs of public works performed by public employees for the year being reported. Be sure to include work performed for the city by a county.

6. This line is only pertinent to cities/counties that budget on a biennial basis. For those municipalities, record on this line total construction costs of public works performed by public employees for the first year of biennium.

7. Use this line to record the difference between the statutory limit computed on line 4 and the amount of public works performed by public employees recorded on lines 5 and 6. A negative number here indicates noncompliance with the limitations and must be carried forward to next budget period report. If this noncompliance is not corrected within two years, 20 percent (cities) and 10 percent (counties) of the motor vehicle fuel tax will be withheld (RCW 35.22.620(2), 36.32.235(9)).

MCAG NO. _____ **_____** **Schedule 17**
(COUNTY/CITY) **Part 2**

ANNUAL REPORT ON PUBLIC WORKS PROJECTS

For The Year January 1, ____ Thru December 31, ____

1.	Total current public work construction budget as amended (annual or biennial as applicable)	==========
2.	Allowable portion of total public works (10 percent of line 1)	_____
3.	Less: Amount (if any) in excess of permitted amount from prior budget period	_____
4.	Total allowable public works (line 2 minus line 3)	_____
5.	Total public works projects performed by public employees during the current year (cities should include work performed for them by a county)	_____
6.	If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium	_____
7.	Restricted under (over) allowable (line 4 minus line 5 minus line 6)	==========

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next budget period report.

SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required the State Auditor's Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 Legislature. The statute provides that "the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available."

Labor relations is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenditures for labor relations consultants: Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor's Office whether or not your local government has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

MCAG NO._____ **Schedule 19**

_____
(ENTITY NAME)

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)

For the Year Ended _____

Has your government engaged labor relations consultants? ___ Yes ___ No

If yes, please provide the following information for each consultant(s):

Name Of Firm
Name Of Consultant
Business Address
Amount Paid To Consultant During Fiscal Year
Terms And Conditions, As Applicable, Including: Rates (E.g., Hourly, Etc.) _____ Maximum Compensation Allowed _____ Duration Of Services _____ Services Provided _____ _____

Certified Correct this _____ day of _____, 20___ to the best of my knowledge and belief:
Signature
Name
Title

FERC/BARS ELECTRIC REVENUE CROSS-REFERENCE TABLE SORTED BY FERC NUMBERS

Electric Utility Operating Revenue Accounts		BARS All-Purpose Revenue Detail Code for Utilities		
Account Code	**Account Description**	**BASUB Element/ Subelement**	**Object**	**Account Description**
400.0	SALES OF ELECTRICITY	343.30		UTILITY SALES AND SERVICE FEES
440.0	Residential Sales	343.31	.10	Residential (Flat Rate)
		343.32	.10	Residential (Metered)
442.0	Commercial and Industrial Sales	343.31	.20	Commercial (Flat Rate)
		343.31	.30	Industrial (Flat Rate)
		343.32	.20	Commercial (Metered)
		343.32	.30	Industrial (Metered)
	SALES TO PUBLIC AUTHORITIES	343.34		Public Authorities
444.0	Public Street and Highway Lighting	343.34	.10	Street Lights, Signal/Alarm Systems
445.0	Other Sales to Public Authorities	343.34	.90	Other Public Authorities
446.0	Sales to Railroads and Railways	343.34	.30	Railroad and Railways
	OTHER SALES OF ELECTRICITY			
447.0	Sales for Resale	343.35		Sales for Resale
448.0	Interdepartmental Sales	349.33		Interdepartmental Charges for Services
	OTHER OPERATING REVENUES			
450.0	Forfeited Discounts	343.31	.80	Forfeited Discounts/Late Charges (Flat Rate Services)
		343.32	.80	Forfeited Discounts/Late Charges (Metered Services)
		343.34	.80	Forfeited Discounts/Late Charges (Public Authorities)
451.0	Miscellaneous Service Revenues - Change/Reconnect Service	343.8X		Other Utility Fees and Charges (Turn On/Off)
451.0	Miscellaneous Service Revenues - Profit/Maintenance Installations/Customer Premises	343.8X		Other Utility Fees and Charges (Customer Installations)
451.0	Miscellaneous Service Revenues - Recovery of Expenses Unauthorized Electricity Use	369.40		Other Judgments and Settlements
451.0	Miscellaneous Service Revenues - Net Profit/Loss from Temporary Services	343.8X		Other Utility Fees and Charges (Temporary Services)
453.0	Sales of Water and Water Power	343.36	.40	Sales of Water from Electrical Generated Sites
454.0	Rent from Electric Property	362.5X		Space and Facilities Leases (Long-Term)
455.0	Interdepartmental Rents	366.2X		Interfund Rents and Concessions
456.0	Other Electric Revenues	343.8X		Other Utility Fees and Charges
456.0	Other Electric Revenues - Incidental Services	341-344		Charges for Goods and Services
456.0	Other Electric Revenues - Sales Commissions	362.90		Other Rents and Use Charges
456.0	Other Electric Revenues - Transmission of Electricity for Others	343.36		Processing for Other Utilities
456.0	Other Electric Revenues - Sale of Steam	343.8X		Other Utility Fees and Charges (Steam Sales)
456.0	Other Electric Revenues - Sales of Materials and Supplies	341.70		Sales of Merchandise
456.0	Other Electric Revenues - Research and Development, Other Ventures	362.90		Other Rents and Use Charges

BARS/FERC ELECTRIC REVENUE CROSS-REFERENCE TABLE SORTED BY BARS NUMBERS

BARS All-Purpose Revenue Detail Code for Utilities			Electric Utility Operating Revenue Accounts	
BASUB Element/ Subelement	Object	Account Description	Account Code	Account Description
343.30		UTILITY SALES AND SERVICE FEES		
343.31		Flat Rate Utility Services	400.0	SALES OF ELECTRICITY
	.10	Residential	440.0	Residential Sales
	.20	Commercial	442.0	Commercial and Industrial Sales
	.30	Industrial	442.0	Commercial and Industrial Sales
	.80	Forfeited Discounts/Late Charges	450.0	Forfeited Discounts
343.32		Metered Utility Services		
	.10	Residential	440.0	Residential Sales
	.20	Commercial	442.0	Commercial and Industrial Sales
	.30	Industrial	442.0	Commercial and Industrial Sales
	.80	Forfeited Discounts/Late Charges	450.0	Forfeited Discounts
343.34		Public Authorities		
	.10	Street Lights, Signal/Alarm Systems	444.0	Public Street and Highway Lighting
	.30	Railroad and Railways	446.0	Sales to Railroads and Railways
	.80	Forfeited Discounts/Late Charges	450.0	Forfeited Discounts
	.90	Other Public Authorities	445.0	Other Sales to Public Authorities
343.35		Sales for Resale	447.0	Sales for Resale
343.36		Processing for Other Utilities	456.0	Other Electric Revenues - Transmission of Electricity for Others
	.40	Sales/Water from Electricity Generated Sites	453.0	Sales of Water and Water Power
341-344		Charges for Goods and Services	456.0	Other Electric Revenues - Incidental Services
341.70		Sales of Merchandise	456.0	Other Electric Revenues - Sales of Materials and Supplies
343.8X		Other Utility Fees and Charges	456.0	Other Electric Revenues
343.8X		Other Utility Fees and Charges (Turn On/Off)	451.0	Miscellaneous Service Revenues - Change/Reconnect Service
343.8X		Other Utility Fees and Charges (Customer Installations)	451.0	Miscellaneous Service Revenues - Profit/Maintenance Installations/ Customer Premises
343.8X		Other Utility Fees and Charges (Temporary Services)	451.0	Miscellaneous Service Revenues - Net Profit/Loss from Temporary Services
343.8X		Other Utility Fees and Charges (Steam Sales)	456.0	Other Electric Revenues - Sale of Steam
362.5X		Space and Facilities Leases (Long-Term)	454.0	Rent from Electric Property
362.90		Other Rents and Use Charges	456.0	Other Electric Revenues - Sales Commissions
362.90		Other Rents and Use Charges	456.0	Other Electric Revenues - Research and Development, Other Ventures
366.2X		Interfund Rents and Concessions	455.0	Interdepartmental Rents
369.40		Other Judgments and Settlements	451.0	Miscellaneous Service Revenues - Recovery of Expenses of Unauthorized Electricity Use
			REVENUES OFFSET AGAINST EXPENSES (DO NOT INCLUDE)	
349.33		Interdepartmental Sales and Services Charges	448.0	Interdepartmental Sales

NARUC/BARS WATER REVENUE CROSS-REFERENCE TABLE SORTED BY NARUC NUMBERS

Water Utility Operating Revenue Accounts		BARS All-Purpose Revenue Detail Code for Utilities		
Account Code	**Account Description**	**BASUB Element/ Subelement**	**Object**	**Account Description**
400.0	SALES OF WATER	343.40		WATER SALES
460.0	Unmetered Sales/General Customers	343.41		Flat Rate Utility Services
			.10	Residential
			.20	Commercial
			.30	Industrial
			.40	Irrigation
			.90	Other Flat Rate
461.0	Metered Water Revenues	343.42		Metered Utility Services
461.1	Metered Sales/Residential Customers		.10	Residential
461.2	Metered Sales/Commercial Customers		.20	Commercial
461.3	Metered Sales/Industrial Customers		.30	Industrial
461.4	Metered Sales/Public Authorities		.90	Other Metered Sales
461.5	Metered Sales/Multiple Family Dwellings		.90	Other Metered Sales
462.1	Private Fire Protection Service	343.44	.20	Fire Protection Service (Private)
462.2	Public Fire Protection Service		.20	Fire Protection Service (Public)
464.0	Other Sales to Public Authorities	343.44	.90	Other Public Authorities
465.0	Sales to Irrigation Customers	343.42	.40	Metered Utility Services/Irrigation
466.0	Sales for Resale	343.45		Sales for Resale
467.0	Interdepartmental Sales	349.34		Interdepartmental Sales and Service Charges
OTHER OPERATING REVENUES:				
470.0	Forfeited Discounts	343.41 343.42 343.44	.80 .80 .80	Forfeited Discounts/Late Charges
471.0	Miscellaneous Service Revenues-Change/Reconnect Service	343.8X		Other Utility Fees and Charges (Turn On/Off)
471.0	Miscellaneous Service Revenues-Profit/Maintenance	343.8X		Other Utility Fees and Charges (Customer Installations)
471.0	Miscellaneous Service Revenues-Net Profit/Loss from Temporary Services	343.8X		Other Utility Fees and Charges (Temporary Services)
471.0	Miscellaneous Service Revenues-Recovery of Expenses for Unauthorized Water Use	369.40		Other Judgments and Settlements
472.0	Rents from Water Property	362.5X		Space and Facilities Leases (Long-Term)
473.0	Interdepartment Rents	366.2X		Interfund Rents and Concessions
474.0	Other Water Revenues-Incidental Services	341-344		Charges for Goods and Services
474.0	Other Water Revenues-Sales of Materials and Supplies	341.70		Sales of Merchandise
474.0	Other Water Revenues	343.8X		Other Utility Fees and Charges
474.0	Other Water Revenues-Sale of Steam	343.8X		Other Utility Fees and Charges (Steam Sales)
474.0	Other Water Revenue-Sales Commissions	362.90		Other Rents and Use Charges

BARS/NARUC WATER REVENUE CROSS-REFERENCE TABLE SORTED BY BARS NUMBERS

BARS All-Purpose Revenue Detail Code for Utilities			Water Utility Operating Revenue Accounts	
BASUB Element/ Subelement	**Object**	**Account Description**	**Account Code**	**Account Description**
343.40		WATER SALES	400.0	SALES OF WATER
343.41		Flat Rate Utility Services	460.0	Unmetered Sales/General Customers
	.10	Residential	460.0	
	.20	Commercial	460.0	
	.30	Industrial	460.0	
	.40	Irrigation	460.0	
	.80	Forfeited Discounts/Late Charges	470.0	Forfeited Discounts
	.90	Other Flat Rate	460.0	Unmetered Sales/General Customers
343.42		Metered Utility Services	461.0	Metered Water Revenue
	.10	Residential	461.1	Metered Sales/Residential Customers
	.20	Commercial	461.2	Metered Sales/Commercial Customers
	.30	Industrial	461.3	Metered Sales/Industrial Customers
	.40	Irrigation	465.0	Sales to Irrigation Customers
	.80	Forfeited Discounts/Late Charges	470.0	Forfeited Discounts
	.90	Other Metered Sales	461.4 461.5	Metered Sales/Public Authorities Metered Sales/Multiple Family Dwellings
343.44		Public Authorities	464.0	Other Sales to Public Authorities
	.20	Fire Protection Service (Private)	462.1	Private Fire Protection Service
	.20	Fire Protection Service (Public)	462.2	Public Fire Protection Service
	.80	Forfeited Discounts/Late Charges	470.0	Forfeited Discounts
	.90	Other Public Authorities	464.0	Other Sales to Public Authorities
343.45		Sales for Resale	466.0	Sales for Resale
OTHER CHARGES FOR SERVICES:				
341-344		Charges for Goods and Services	474.0	Other Water Revenues-Incidental Services
341.70		Sales of Merchandise	474.0	Other Water Revenues-Sales of Materials and Supplies
343.8X		Other Utility Fees and Charges	474.0	Other Water Revenues
343.8X		Other Utility Fees and Charges (Turn On/Off)	471.0	Miscellaneous Service Revenues-Change/Reconnect Service
343.8X		Other Utility Fees and Charges (Customer Installations)	471.0	Miscellaneous Service Revenues-Profit/Maintenance
343.8X		Other Utility Fees and Charges (Temporary Services)	471.0	Miscellaneous Service Revenues-Net Profit/Loss from Temporary Services
343.8X		Other Utility Fees and Charges (Steam Sales)	474.0	Other Water Revenues-Sale of Steam
RENTS, PARKING AND CONCESSIONS:				
362.5X		Space and Facilities Leases (Long-Term)	472.0	Rents from Water Property
362.90		Other Rents and Use Charges	474.0	Other Water Revenue-Sales Commissions
366.2X		Interfund Rents and Concessions	473.0	Interdepartment Rents
369.40		Other Judgments and Settlements	471.0	Miscellaneous Service Revenues-Recovery of Expenses for Unauthorized Water Use
REVENUES OFFSET AGAINST EXPENSES (DO NOT INCLUDE):				
349.34		Interdepartmental Sales and Service Charges	467.0	Interdepartmental Sales

NARUC/BARS SEWER REVENUE CROSS-REFERENCE TABLE SORTED BY NARUC NUMBERS

Sewer Utility Operating Revenue Accounts		BARS All-Purpose Revenue Detail Code for Utilities		
Account Code	**Account Description**	**BASUB Element/ Subelement**	**Object**	**Account Description**
500.0	SEWAGE SALES	343.50		UTILITY SALES AND SERVICE FEES
521.0	Flat Rate Revenues	343.51		Flat Rate Utility Services
521.1	Residential		.10	Residential
521.2	Commercial		.20	Commercial
521.3	Industrial		.30	Industrial
521.4 521.5 521.6	Public Authorities Multiple Family Dwelling Other		.90	Other
522.0	Measured Revenues	343.52		Metered Utility Services
522.1	Residential		.10	Residential
522.2	Commercial		.20	Commercial
522.3	Industrial		.30	Industrial
522.4 522.5	Public Authorities Multiple Family Dwelling		.90	Other
523.0	Revenues/Public Authorities (Contracted)	343.54	.90	Other Public Authorities (Contracted)
524.0	Revenue from Other Systems	343.55 343.56		Sales for Resale Processing for Other Utilities
525.0	Interdepartmental Revenues	349.50		Interdepartmental Charges for Services
531.0	Sale of Sludge	343.57	.10	Sales of Sludge
532.0	Forfeited Discounts	343.51 343.52 343.54	.80 .80 .80	Forfeited Discounts/Late Charges (Flat Rate) Forfeited Discounts/Late Charges (Metered) Forfeited Discounts/Late Charges (Public Authorities)
534.0	Rents from Sewer Property	362.5X		Space and Facilities Leases (Long-Term)
535.0	Interdepartmental Rents	366.2X		Interfund Facilities Leases
536.0	Other Sewer Revenues	343.8X		Other Utility Fees and Charges
536.0	Other Sewer Revenues - Inspection Service Charges	341-344		Charges for Goods and Services
536.0	Other Sewer Revenues - Change/ Reconnect Service	343.8X		Other Utility Fees and Charges (Turn On/Off)
536.0	Other Sewer Revenues - Energy Conversion	343.57	.30	Energy Conversion
536.0	Other Sewer Revenues - Other Resource Recovery		.90	Other Resource Recovery
536.0	Other Sewer Revenues - Recovery of Expenses for Unauthorized Sewer Services	369.40		Other Judgments and Settlements
536.0	Other Sewer Revenues - Profit/Maintenance Installations/Customer Premises	343.8X		Other Utility Fees and Charges (Customer Installations)
536.9	Other Sewer Revenues - Sale of Miscellaneous Materials and Supplies	341.70		Sales of Merchandise

BARS/NARUC SEWER REVENUE CROSS-REFERENCE TABLE SORTED BY BARS NUMBERS

BARS All-Purpose Revenue Detail Code for Utilities			Sewer Utility Operating Revenue Accounts	
BASUB Element/ Subelement	Object	Account Description	Account Code	Account Description
343.50		UTILITY SALES AND SERVICE FEES	500.0	SEWAGE SALES
343.51		Flat Rate Utility Services	521.0	Flat Rate Revenues
	.10	Residential	521.1	Residential
	.20	Commercial	521.2	Commercial
	.30	Industrial	521.3	Industrial
	.80	Forfeited Discounts/Late Charges	532.0	Forfeited Discounts
	.90	Other	521.4 521.5 521.6	Public Authorities Multiple Family Dwelling Other
343.52		Metered Utility Services	522.0	Measured Revenues
	.10	Residential	522.1	Residential
	.20	Commercial	522.2	Commercial
	.30	Industrial	522.3	Industrial
	.80	Forfeited Discounts/Late Charges	532.0	Forfeited Discounts
	.90	Other	522.4 522.5	Public Authorities Multiple Family Dwelling
343.54	.80	Forfeited Discounts/Late Charges (Public Authorities)	532.0	Forfeited Discounts
	.90	Other Public Authorities (Contracted)	523.0	Revenues/Public Authorities (Contracted)
343.55 343.56		Sales for Resale Processing for Other Utilities	524.0	Revenue from Other Systems
343.57	.10	Sales of Sludge	531.0	Sale of Sludge
	.30	Energy Conversion	536.0	Other Sewer Revenues - Energy Conversion
	.90	Other Resource Recovery	536.0	Other Sewer Revenues - Other Resource Recovery
OTHER CHARGES FOR GOODS AND SERVICES:				
341-344		Charges for Goods and Services	536.0	Other Sewer Revenues - Inspection Service Charges
341.70		Sales of Merchandise	536.9	Other Sewer Revenues - Sale of Miscellaneous Materials and Supplies
343.8X		Other Utility Fees and Charges	536.0	Other Sewer Revenues
343.8X		Other Utility Fees and Charges (Turn On/Off)	536.0	Other Sewer Revenues - Change/Reconnect Service
343.8X		Other Utility Fees and Charges (Customer Installations)	536.0	Other Sewer Revenues - Profit/Maintenance Installations/Customer Premises
RENTS, PARKINGS AND CONCESSIONS:				
362.5X		Space and Facilities Leases (Long-Term)	534.0	Rents from Sewer Property
366.2X		Interfund Facilities Leases	535.0	Interdepartmental Rents
369.40		Other Judgments and Settlements	536.0	Other Sewer Revenues - Recovery of Expenses for Unauthorized Sewer Services
REVENUES OFFSET AGAINST EXPENSES (DO NOT INCLUDE):				
349.50		Interdepartmental Charges for Services	525.0	Interdepartmental Revenues

ABATEMENT. A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments, and service charges.

ACCOUNT NUMBER. See CODING.

ACCOUNTABILITY (ACCOUNTABLE). The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry-to justify the raising of public resources and the purposes for which they are used.

ACCOUNTING PERIOD. A period at the end of which and for which financial statements are prepared. See also FISCAL PERIOD.

ACCOUNTING SYSTEM. The total structure of records and procedures designed to discover, record, classify, summarize, and report information on the financial position and results of operations of a government or any of its funds or organizational components. See INTERNAL CONTROL.

ACCOUNTS RECEIVABLE (COURTS). Financial obligations owing on a superior court Legal Financial Obligation (LFO) or courts of limited jurisdiction costs, fines, penalties, and restitution.

ACCRUAL BASIS. The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

ACCRUED EXPENSES. Expenses incurred but not due until a later date.

ACCRUED PAYABLES. Liability accounts reflecting costs incurred but not due until a later date.

ACTIVITY. A specific and distinguishable line of work performed by one or more organizational units of a government for the purpose of accomplishing a function for which the government is responsible. For example, "food inspection" is an activity performed in the discharge of the "health" function. The element portion of the BARS account code classifies activities.

ADDITIONS. Increases in the net assets of fiduciary funds.

ADMINISTRATIVE CONTROL. See INTERNAL CONTROL.

ADVANCE REFUNDING BONDS. Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited with a trustee, invested in U.S. Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date and to pay interest on the bonds being refunded or the advance refunding bonds.

ADVERSE OPINION. An auditor's opinion stating that financial statements do not present fairly financial position, results of operations and (when applicable) cash flows in conformity with generally accepted accounting principles (GAAP).

AGENCY FUND. A fund used to account for assets held by a government as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by a county for a fire district. The funds may be used for suspense, clearing, or custodial purposes. See the classification of funds in Part 3, Chapter 1.

ALLOTMENT. Portion of an annual or biennial budget appropriation allocated to an interim period.

ANNUAL BUDGET. A budget applicable to a single fiscal year. See also BUDGET and OPERATING BUDGET.

ANNUAL COVERED PAYROLL. Term used in connection with defined benefit pension plans. All elements included in annual compensation paid to active employees on which contributions to a pension plan are based.

ANNUAL REQUIRED CONTRIBUTION (ARC). Term used in connection with defined benefit pension plans. The employer's mandated contribution for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting.

ANNUITY. A series of equal money payments made at equal intervals during a designated period of time.

ANNUITY AMOUNT OF. The total amount of money accumulated or paid during an annuity period. This total includes compound interest at a designated rate.

ANNUITY PERIOD. The designated length of time during which the amount of an annuity is accumulated or paid.

APPRAISE. To make an estimate of value, particularly of the value of property. If the property is valued for purposes of taxation, the less-inclusive term "assess" is substituted for this term.

APPROPRIATED BUDGET. The expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues. The appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

APPROPRIATION EXPENDITURE. An expenditure chargeable to an appropriation. Since virtually all expenditures of governments are chargeable to appropriations, the tern EXPENDITURES by itself is widely and properly used.

APPROPRIATION LEDGER. A subsidiary ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the net balance, and other related information.

APPROPRIATION ORDINANCE OR RESOLUTION. An ordinance or resolution by means of which appropriations are given legal effect. It is the method by which the expenditure side of the annual operating budget is enacted into law by the legislative body.

ARBITRAGE. Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable

money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

ASSESS. To value property officially for the purpose of taxation.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSESSMENT. (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as a result of this process.

ASSESSMENT (COURTS). A monetary amount imposed by the court for a law violation.

ASSESSMENT ROLL. In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are also usually shown. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property, and its assessed value.

ASSETS. Resources owned or controlled by a government, as a result of a past transaction or other event, that have a recognizable monetary value.

AUDIT. An examination to determine the accuracy and validity of records and reports or the conformity of procedures with established policies. See INTERNAL AUDIT, INDEPENDENT AUDIT, FINANCIAL AND COMPLIANCE AUDIT, PROGRAM COMPLIANCE AUDIT, SINGLE AUDIT, PERFORMANCE AUDIT, PRE-AUDIT, and POST-AUDIT.

AUDIT PROGRAM. A detailed outline of work to be done and procedures to be followed in any given audit.

AUDIT REPORT. The report by an auditor furnished at the conclusion of internal audits, independent audits, and investigations. As a rule, the report would include: (1) a statement of the scope of the audit; (2) explanatory comments or findings (if any) concerning exceptions by the auditor; (3) opinions; (4) financial statements and schedules; and (5) sometimes statistical tables, supplementary comments, and recommendations.

AUDIT SCOPE. In the context of a financial statement audit, the coverage provided by the independent auditor's opinion on the financial statements.

AUDITED VOUCHER. A voucher which has been examined and approved for payment.

AUDITOR'S OPINION. A statement signed by an auditor in which he/she states that he/she has examined the financial statements in accordance with generally accepted auditing standards (with exceptions, if any) and in which he or she expresses an opinion on the financial position and results of operations of some or all of the funds of the government as appropriate. See UNQUALIFIED OPINION, QUALIFIED OPINION and ADVERSE OPINION.

AUDITOR'S REPORT ON INTERNAL COTNROLS AND COMPLIANCE OVER FINANCIAL REPORTING. Report issued in conjunction with a financial audit performed in accordance with Generally Accepted Governmental Auditing Standard (GAGAS). In this report, the independent auditor reports on internal control weaknesses and instances of noncompliance discovered in connection with the financial audit, but does not offer an opinion on internal controls or compliance.

AUTHORITY. A government or public agency created to perform a single function or a restricted group of related activities. Usually such units are financed from service charges, fees, and tolls, but in some instances they also have taxing powers. An authority may be completely independent of other governments or partially dependent upon other governments for its creation, its financing, or the exercise of certain powers.

AVAILABILITY CRITERION. Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

AVAILABILITY PERIOD. A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

BAIL (COURTS). An amount of money determined by the judge and posted with the courts as security to ensure the defendant's appearance in court at a specific time.

BASIC FINANCIAL STATEMENTS. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

BASIS DIFFERENCES. Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type.

BASIS OF ACCOUNTING. The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.

BETTERMENT. An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term *improvement* is preferred.

BLENDING (BLENDED). The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

BLUE BOOK. A term commonly used to designate the Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting.*

BOND. A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

BOND (COURTS). An agreement by a party or third party to pay a certain sum of money if the defendant fails to appear in court.

BOND ANTICIPATION NOTE. Short-term interest-bearing note issued by a government in anticipation of bond proceeds to be received at a later date. The note is retired from proceeds of the bonds to which it is related.

BOND DISCOUNT. The excess of the face value of a bond over the price for which it is sold or acquired. The price does not include accrued interest at the date of sale or acquisition.

BOND FUND. A fund formerly used to account for the proceeds of general obligation bond issues. See CAPITAL PROJECTS FUND or DEBT SERVICE FUND.

BOND ORDINANCE OR RESOLUTION. An ordinance or resolution authorizing a bond issue.

BOND PREMIUM. The excess of the price at which a bond is sold or acquired over its face value. The price does not include accrued interest at the date of sale or acquisition.

BONDED DEBT. That portion of indebtedness represented by outstanding bonds.

BONDS AUTHORIZED AND UNISSUED. Bonds which have been legally authorized but not issued and which can be issued and sold without further authorization. This term must not be confused with the term "legal debt margin," which represents the difference between the legal debt limit of a government and the debt outstanding against it.

BONDS ISSUED. Bonds sold.

BOOKS OF ORIGINAL ENTRY. The record in which the various transactions are formally recorded for the first time, such as the cash journal, warrant register, or general journal. Where electronic bookkeeping methods are used, it may happen that one transaction is recorded simultaneously in several records, one of which may be regarded as the book of original entry.

BOOK VALUE. Value as shown by books of account. In the case of assets which are subject to reduction by valuation allowances such as depreciation, book value refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between "gross book value" and "net book value," the former designating value before deduction of related allowances and the latter after their deduction. In the absence of any modifier, however, the term book value means, net book value.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating body for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is preliminary and tentative or whether the appropriating body has approved it. See ANNUAL BUDGET, CAPITAL BUDGET, CAPITAL PROGRAM, OPERATING BUDGET.

BUDGET DOCUMENT. The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of two parts. The first part contains a message from the budget-making authority, together with a summary of the proposed expenditures and the means of financing them. The second consists of schedules supporting the summary. These schedules show in detail the information as to the past years' actual revenues, expenditures, and other data used in making the estimates. In addition to the budget document, an appropriation ordinance or resolution and revenue and borrowing measures will be necessary to put the budget into effect.

BUDGET MESSAGE. A general discussion of the proposed budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an explanation of the principal budget items, an outline of the government's experience during the past period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

BUDGETARY ACCOUNTS. Special accounts used to achieve budgetary integration, but not reported in the financial statements. By convention, ALL CAPS commonly are used to designate budgetary accounts. The most common budgetary accounts are ESTIMATED REVENUES, APPROPRIATIONS, BUDGETARY FUND BALANCE, and ENCUMBRANCES.

BUDGETARY BASIS OF ACCOUNTING. The method used to determine when revenues and expenditures are recognized for budgetary purposes.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

BUDGETARY EXPENDITURES. Same as EXPENDITURES.

BUDGETARY REPORTING. The requirement to present budget-to-actual comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting also is required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

BUSINESS-TYPE ACTIVITIES. One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

CAFR. See COMPREHENSIVE ANNUAL FINANCIAL REPORT.

CALL OPTIONS. A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date.

CALLABLE BOND. A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

CAPITAL ASSETS. Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CAPITAL BUDGET. A plan of proposed capital outlays and the means of financing them. See CAPITAL PROGRAM.

CAPITAL EXPENDITURES. See CAPITAL OUTLAYS.

CAPITAL IMPROVEMENT PROGRAM. See CAPITAL PROGRAM.

CAPITAL OUTLAYS. Expenditures which result in the acquisition of or addition to capital assets.

CAPITAL PROGRAM. A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

CAPITAL PROJECTS FUND. Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CAPITAL RESOURCES. Resources of a fixed or permanent character, such as land and buildings, which cannot ordinarily be used to meet current expenditures.

CAPITALIZATION THRESHOLD. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CASH. An asset account reflecting currency, coin, checks, postal and express money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits. All cash must be accounted for as a part of the fund to which it belongs. Any restrictions or limitations as to its availability must be indicated in the records and statements. It is not necessary; however, to have a separate bank account for each fund unless required by law.

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH DISCOUNT. An allowance received or given if payment is completed within a stated period of time. This term is not to be confused with TRADE DISCOUNT.

CASH EQUIVALENT. Short-term, highly liquid investments that are both (1) readily covertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

CERTIFICATE OF ACHIEVEMENT IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the Government Finance Officers Association (GFOA) to encourage governments to publish efficiently organized and easily readable CAFRs and to provide peer recognition and technical assistance to the finance officers preparing them.

CHARACTER CLASSIFICATION. Expenditure classification according to the time period's expenditures are presumed to benefit. The four groupings are: (1) current operating expenditures, presumed to benefit the current fiscal period; (2) debt service, presumed to benefit prior fiscal periods primarily, but also present and future periods; (3) capital outlays presumed to benefit the current and future fiscal periods; and (4) intergovernmental, where one government purchases from another government services not normally available from outside sources. See account definitions of objects in Part 1, Chapter 4.

CHECK. A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his/her order, or to bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable. It differs from a voucher in that the latter is not an order to pay. A voucher-check combines the distinguishing characteristics of a voucher and a check; it shows the propriety of a payment and is an order to pay.

CLASSIFIED. This term means all proprietary operations, which use double-entry full accrual accounting systems which measure revenue and expense, including depreciation. Examples of classified proprietary accounting systems are NARUC Water, MFOA Airports, SAO Ports, etc. See PROPRIETARY FUNDS.

CLASSIFIED PRESENTATION. The separate presentation on the statement of position of the current and long-term portions of assets and liabilities. A classified presentation is required for the proprietary fund statement of net assets.

CLEARING ACCOUNT. An account used to accumulate charges or credits that are to be allocated to other accounts later, or to accumulate a net difference for transfer to another account.

CLEARING FUND. See AGENCY FUND.

CODING. A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information. The BARS numbers are an example of the coding of accounts. Other examples are the numbering of monthly recurring journal entries to indicate the month and the nature of the entry and the numbering of invoices or vouchers so that the number reveals the date of entry.

COLLATERAL. Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

COMBINING FINANCIAL STATEMENTS. Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a

CAFR to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

COMPARABILITY. The principle according to which differences between financial reports should be due to substantive differences in the underlying transactions or the governmental structure rather than due to selection of different alternatives in accounting procedures or practices.

COMPARATIVE DATA. Information from prior fiscal periods provided to enhance the analysis of financial data of the current fiscal period.

COMPARATIVE FINANCIAL STATEMENTS. Financial statements providing all of the information required by GAAP for two or more fiscal periods.

COMPLIANCE SUPPLEMENT. A publication of the U.S. Office of Management and Budget outlining compliance requirements for federal awards programs. The publication is designed to assist independent auditors performing Single Audits.

COMPONENT UNIT. A separate government unit, agency or nonprofit corporation that is combined with other component units to constitute the reporting entity in conformity with GAAP.

COMPOSITE DEPRECIATON METHODS. Depreciation methods applied to groups of assets rather than to individual assets.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONDENSED FINANCIAL STATEMENTS. Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis (MD&A).

CONDUIT DEBT. Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

CONNECTION FEES. Fees charged to join or to extend an existing utility system. Often referred to as *tap fees* or *system development fees.*

CONSISTENCY. The principle according to which once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events. The concept of consistency in financial reporting extends to many areas such as valuation methods, basis of accounting, and determination of the financial reporting entity.

CONSTRUCTION IN PROGRESS. A capital asset account reflecting the cost of construction work for projects not yet completed.

CONSUMPTION METHOD. The method under which inventories are recorded as expenditures when used. This method does not conform to most budget laws in Washington State. See PURCHASES METHOD.

CONTINGENT LIABILITIES. Items which may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. All contingent liabilities should be disclosed within the basic financial statements, including the notes thereto.

CONTINUING APPROPRIATION. An appropriation which, once established, is automatically renewed without further legislative action, period after period, until altered, revoked or expended.

CONTRIBUTION (COURTS). Payment required by the court to be paid to an established fund, i.e., interlocal drug fund.

CONTROL ACCOUNT. An account in the general ledger which summarizes a number of identical or related accounts called subsidiary accounts. For example, *Taxes Receivable* is a control account supported by the aggregate of individual balances in individual property taxpayers' subsidiary accounts. See GENERAL LEDGER and SUBSIDIARY ACCOUNT.

CORRECTION OF ERRORS. See REFUND and INTERFUND TRANSACTIONS.

COST RECORDS. All ledgers, supporting records, schedules, reports, invoices, vouchers, and other records and documents reflecting the cost of projects, jobs, production centers, processes, operations, products, or services, or the cost of any of the component parts thereof.

COST-REIMBURSEMENT BASIS. The setting of charges so that costs are systematically recovered on a break-even basis over time.

COSTS (COURTS). Expenses incurred by the government in prosecuting a defendant. Costs, in criminal cases, may be imposed only on a convicted defendant and cannot include expenses inherent in providing a constitutionally guaranteed jury trial or expenditures in connection with the maintenance and operation of government agencies that must be made by the public irrespective of specific violations of law. In criminal cases, appropriate costs include: jury demand, witness, public defense, sheriff's service, court interpreter, collection agency, and appellate costs. Costs in civil cases include an amount of money payable to the prevailing party by the losing party for the expense of prosecuting or defending the action; sometimes includes attorney's fees.

COUNTERPARTY. Another party to a transaction. In the case of deposits and investments made by governmental entities, a counter-party could be the issuer of a security, a financial institution holding a deposit, a broker-dealer selling securities, or a third party holding securities or collateral.

COUPON RATE. The interest rate specified on interest coupons attached to a bond, also called the nominal interest rate.

CROSSOVER REFUNDING. A type of advance refunding in which the escrow established with the proceeds of the refunding bonds only begins to secure repayment of the refunded debt at some designated future time, known as the "crossover date."

CURRENT. A term which, applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods. It usually connotates items likely to be used up or converted into cash within one year.

CURRENT EXPENSE FUND. See GENERAL FUND.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

CURRENT LIABILITIES. Liabilities which are payable within next operating cycle (e.g. one year).

CURRENT FUNDING. A refunding transaction in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded. This situation differs from an advance refunding, where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.

CURRENT RESOURCES. Resources which can be used to meet current obligations and expenditures. Examples are current assets, estimated revenues of a particular period not yet realized, transfers from other funds authorized but not received, and in the case of certain funds, bonds authorized and unissued.

CUSTODIAL CREDIT RISK. The risk that a government will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counter-party to the investment or deposit transaction fails.

CUSTOMER DEPOSITS. A liability account used in an enterprise fund to reflect deposits made by customers as a prerequisite to receiving services and/or goods provided by the fund.

DATA PROCESSING. (1) The preparation and handling of information and data to obtain results such as classification, problem solution, summarization, and reports. (2) Preparation and handling of financial information wholly or partially by mechanical or electronic means.

DAY LABOR. Use of a government's own personnel to construct or maintain its capital assets. Also called "force account."

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, registered warrants, notes, contracts and accounts payable. See BOND, NOTE PAYABLE, REGISTERED WARRANT, LONG-TERM DEBT, GENERAL LONG-TERM DEBT, and REVENUE BONDS.

DEBT LIMIT. The maximum amount of gross or net debt which is legally permitted.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Formerly called a sinking fund.

DEBT SERVICE REQUIREMENT. The amount of money required to pay interest on outstanding debt, serial maturities of principal for serial bonds, and required contributions to accumulate monies for future retirement of term bonds.

DEDUCTION. Decrease in the net assets of a fiduciary fund.

DEFEASANCE. The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor. Also referred to as a legal defeasance. See IN-SUBSTANCE DEFEASANCE.

DEFERRED REVENUE. Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, amounts that are measurable but not available are one example of deferred revenue.

DEFERRED SPECIAL ASSESSMENTS. Special assessments which have been levied but which are not due within one year.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of proprietary funds, the excess of expense over income during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEFINED CONTRIBUTION PENSION PLAN. A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

DELINQUENT SPECIAL ASSESSMENTS. Special assessments remaining unpaid on and after the date on which a penalty for nonpayment is attached.

DELINQUENT TAXES. Taxes remaining unpaid on and after the date on which a penalty for nonpayment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until abated, canceled, paid, or converted into tax liens.

DEPLETION. (1) The reduction in quantity of a natural resource (wasting asset), such as coal. standing timber, or a rock quarry. (2) The portion of the cost of a wasting asset which is charged as an expense during a particular period. See AMORTIZATION, DEPRECIATION and WASTING ASSETS.

DEPOSIT. (1) Money or securities placed with a bank or other institution or with a person such as the county treasurer either as a general deposit subject to withdrawal by check or as a special deposit made for some specified purpose. (2) Sums deposited by customers for electric meters, water meters, etc., and by contractors and others to accompany and guarantee their bids.

DEPOSITARY. A person/entity entrusted with the safekeeping and depositing of assets.

DEPOSITORY. A place where assets are deposited for safekeeping. (NOTE: The BARS Manual makes the distinction between the terms depositary and depository. However, the RCWs and certain publications use these terms interchangeably. Where we use depository, the RCWs use depositary.) (See Part 3, Chapter 6, Section A.)

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets. (2) The portion of the cost of a capital asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DERIVATIVE. Contract whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The term also is applied to similar transactions, such as structured financial instruments (e.g., mortgage-backed securities).

DERIVED TAX REVENUES. Non-exchange revenues that result from assessments imposed on exchange transactions (e.g., income taxes, sales taxes, and other assessments on earnings or consumption).

DESIGNATED UNRESERVED FUND BALANCE. Management's intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the government's management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds.

DEVELOPER FEES. Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

DIRECT COSTING. Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

DIRECT DEBT. Debt that is to be repaid by the reporting government itself rather than by an overlapping or underlying government.

DIRECT EXPENSES. Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable to a particular function.

DISALLOWED COSTS. Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from *questioned costs*, which are potential disallowed costs that have not yet been rejected by the grantor.

DISCLAIMER OF OPINION. A report stating that the auditor does not express an opinion on the financial statements. The disclaimer of opinion is appropriate when the auditor is not able to perform an examination sufficient in scope to enable him to form an opinion on the financial statements.

DISCOUNTED PRESENT VALUE. See PRESENT VALUE.

DISCRETE PRESENTATION (DISCRETELY PRESENTED). The method of reporting financial data of component units in a column(s) separate from the financial data of the primary government.

DOUBLE ENTRY. A system of bookkeeping which requires an entry to the debit side of an account or accounts for the corresponding amount or amounts of the entry to the credit side of another account or accounts.

EFFECTIVE INTEREST RATE. The rate of earning on an investment based on the actual price paid in contrast with the nominal interest rate. See PRESENT VALUE.

ENCUMBRANCES. Commitments for unperformed (executory) contracts for goods or services.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

ENTITLEMENT. The amount of payment to which a state or local government is entitled as determined by the federal government pursuant to an allocation formula contained in applicable statutes.

EQUITY INTEREST. A financial interest in a joint venture evidenced by the ownership of shares of the joint venture's stock or by otherwise having an explicit, measurable right to the net resources of the joint venture that is usually based on an investment of financial or capital resources by a participating government.

EXCHANGE TRANSACTIONS. Transaction in which each party receives and gives up essentially equal values.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. Examples include certain fees for regulatory or professional licenses and permits, certain tap fees, certain developer contributions, certain grants and donations, and other transactions that, regardless of the label applied to them, are based on an exchange of similar but not equal values.

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as *reimbursement grants*.

EXPENDITURES. Decreases in net current assets. Expenditures include debt service, capital outlays, and those current operating costs, which require the use of current asses.

The difference between an expenditure and an expense is a difference in what is being measured. Expenditures measure current outlays (the flow of current resources) while expenses measure total costs (total resources used; also known as capital maintenance). For example, purchases of capital assets (buildings and equipment) and of inventories are expenditures at the date of purchase, because they cause the outflow or the tie-up of current assets. They are not expenses, however, until they are used or used up, because they are still a resource until consumed. Another example is depreciation, which is not an expenditure because no current assets are used when depreciation is incurred, but which is an expense because it allocates the total cost as the depreciable capital asset is used. See MODIFIED ACCRUAL BASIS and MEASUREMENT FOCUS.

FACE VALUE. As applied to securities, this term designates the amount of liability stated in the security document.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEE (COURTS). A charge established by law for certain services or privileges, such as a copying fee.

FIDELITY BOND. Insurance against losses from theft, defalcation, and misappropriation of public moneys by government officers and employees.

FIDUCIARY FUNDS. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

FILING FEE (COURTS). A charge specified in statute for filing an initial document in a case.

FINAL AMENDED BUDGET. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

FINANCIAL ACCOUNTABILITY (FINANCIALLY ACCOUNTABLE). The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government.

FINANCIAL AND COMPLIANCE AUDIT. An examination leading to the expression of an opinion on (1) the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP and (2) the audited entity's compliance with the various finance-related legal and contractual provisions used to assure acceptable governmental organizational performance and effective management stewardship.

FINANCIAL BENEFIT. Legal entitlement to, or the ability to otherwise access, the resources of an organization.

FINANCIAL BURDEN. An obligation, legal or otherwise, to finance the deficits of, or provide financial support to, an organization, or an obligation in some manner or the debt of an organization.

FINANCIAL REPORTING ENTITY. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

FINANCIAL RESOUCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and pre-paids (because they obviate the need to expend current available financial resources).

FINANCIAL STATEMENTS. See BASIC FINANCIAL STATEMENTS.

FINE (COURTS). A monetary judgment, commonly imposed as a result of conviction for crimes or imposed by the court in a civil case for noncompliance with a court order.

FISCAL ACCOUNTABILITY. The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability.*

FISCAL AGENT. A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FISCAL PERIOD. Any period at the end of which a government determines its financial position and results of its operations. See ACCOUNTING PERIOD.

FISCAL YEAR. A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and results of its operations.

FISCALLY INDEPENDENT/FISCALLY DEPENDENT GOVERNMENT. A government is fiscally independent if it can (a) determine its budget without another government having the substantive authority to approve and modify that budget, (b) levy taxes or set rates or charges without substantive approval by another government, and (c) issue bonded debt without substantive approval by another government. A government is fiscally dependent if it is unable to complete one or more of these procedures without the substantive approval of another government.

FIVE PERCENT CRITERION. Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total assets, liabilities, revenues or expenses /expenditures of all governmental and enterprise funds for which the ten percent criterion has been met.

FIXED BUDGETS. Term used in contrast with *flexible budgets.* Budgets that embody estimates of specific (fixed) dollar amounts.

FIXTURES. Attachments to buildings which are not intended to be removed and which cannot be removed without damage to the buildings. Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of the building; all others are classed as equipment.

FLOW OF CURRENT FINANCIAL RESOURCES. The measurement focus applied to governmental funds. Under it, only current assets and current liabilities are generally reported on their balance sheets, and their operating statements present “financial flow” information (revenues and expenditures).

FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS. The measurement focus applied to proprietary and fiduciary funds. All assets and all liabilities whether current or noncurrent are

reported on their balance sheets, and their operating statements present "capital maintenance" information (revenues and expenses).

FORFEITURE (COURTS). A penalty by which one loses rights and interest in property, whether because of commission of an offense or because of nonperformance of some obligation or duty.

FORMULA GRANTS. Government-mandated or voluntary non-exchange transactions involving the provision of resources based upon established criteria (e.g., number of full-time equivalent students) other than the incurrence of qualifying expenditures.

FRANCHISE. A special privilege granted by a government permitting a monopoly or the continuing use of public property, such as city streets.

FULL FAITH AND CREDIT. A pledge of the general taxing power of a government for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds.

FUNCTION. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public health, etc.). BARS accounts for functions at the Basub level. See SUBFUNCTION.

FUND. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND ACCOUNTS. All accounts necessary to set forth the financial position and results of operations of a fund.

FUND BALANCE. The difference between assets and liabilities reported in a governmental fund.

FUND CLASSIFICATIONS. One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds.

FUND SURPLUS. The use of the term "surplus" in governmental accounting is generally discouraged because it creates a potential for misleading inference. See FUND BALANCE.

FUNDED DEBT. Same as BONDED DEBT, which is the preferred term.

FUNDED MANDATE. Also known as a government-mandated non-exchange transaction. A situation where a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform).

GAAFR. The acronym for *Governmental Accounting, Auditing, and Financial Reporting,* a publication of the Government Finance Officers Association. Also known as the *Blue Book.*

GAAP. See GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

GENERAL FUND. The fund used to account for all financial resources except those required to be accounted for in another fund.

GENERAL JOURNAL. A journal in which are entered all entries not recorded in special journals. See JOURNAL and SPECIAL JOURNAL.

GENERAL LEDGER. A book, file, or other device which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal. Therefore, the debit balances equal the credit balances.

GENERAL OBLIGATION BONDS. Bonds for the payment of which the full faith and credit of the issuing government are pledged.

GENERAL REVENUES. All revenues that are *not* required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., sales tax, property tax, franchise tax, income tax, etc.). All other non-tax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS). Measures of the quality of the performance of auditing procedures and the objectives to be attained through their use. They are concerned with the auditor's professional qualities and with the judgment exercised in the performance of an audit. Generally accepted auditing standards have been prescribed by (1) the American Institute of Certified Public Accountants (AICPA) and (2) the U.S. General Accounting Office (GAO) in *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* (the "Yellow Book").

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The authoritative accounting and financial reporting standard-setting body for government entities.

GOVERNMENTAL ACTIVITIES. Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

GOVERNMENTAL ENTITY. For accounting and financial reporting purposes, an entity subject to the hierarchy of GAAP applicable to state and local governmental units. The criteria used to distinguish governmental entities from non-governmental entities are set forth in the AICPA's *Audits of State and Local Governmental Units.*

GOVERNMENTAL EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants not being part of the sponsor's reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a non-governmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

GOVERNMENTAL FINANCIAL REPORTING MODEL. The minimum combination of financial statements, note disclosures, and required supplementary information prescribed for state and local governments by the GASB.

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS. Transactions that occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform).

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting.

GROUPED ASSETS. Very similar assets acquired at the same time that are treated as a single asset for depreciation purposes. Any gain or loss is deferred until the entire group has been retired. When a single asset is retired from the group its cost is removed from the asset account and sufficient amounts are removed from the accumulated depreciation account so that there is no gain or loss recognized.

IMPACT FEES. Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

IMPOSED NONEXCHANGE REVENUES. Revenues that result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (e.g., property taxes and fines).

IMPOSITION OF WILL (IMPOSE ITS WILL). The ability to significantly influence the programs, projects, activities, or level of services performed or provided by an organization.

IMPREST CASH ACCOUNT. An account into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor disbursements. Advance travel and similar checking accounts and stamp funds are included in this category.

IMPROVEMENTS. An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

INDEPENDENT AUDIT. An audit performed by an independent auditor.

INDIRECT EXPENSES. Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

IN-SUBSTANCE DEFEASANCE. An advance refunding in which the government is not legally released from being the primary obligor on the refunded bonds, but the possibility of the government having to make additional payments is considered remote. See ADVANCE REFUNDING BONDS.

INTERFUND ACCOUNTS. Accounts in which transfers between funds are reflected. See INTERFUND TRANSACTIONS and INTERFUND TRANSFERS.

INTERFUND ACTIVITY. Activity between funds of the primary government, including blended component units. Interfund activities are divided into two broad categories: reciprocal and non-reciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Non-reciprocal interfund activity comprises interfund transfers and interfund reimbursements.

INTERFUND TRANSACTIONS. There are four kinds of transactions between funds. All exchanges that involve more than one fund fall into one of the following:

1. Interfund Loans. These are temporary borrowings of cash or other assets. Loan transactions do not affect the operating statements. (The interest payments are quasi-external transactions.) See accounting procedures in Part 3, Chapter 4, Section A.

2. Quasi-External Transactions. These transactions are equivalent to either.

   a. Buying goods or services from an outside vendor, or

   b. Payments in lieu of property, business, or excise taxes by a proprietary fund as though it were a private business; or

   c. Transfers into another fund type from an agency fund used as a suspense fund.

   Quasi-external transactions are shown as revenues (see BARS accounts 317, 329, 348-349, and 365-366) and as expenditures or expenses. Examples include equipment rental billings to general fund departments, charges by the general fund for engineering or inspection services provided to the street or parks fund, employer contributions to a municipal pension fund, payments in lieu of B&O taxes by a utility fund to the general fund, and distribution of taxes from a forest suspense fund to the general fund.

3. Interfund Reimbursements. These transactions are repayments to a fund for expenditures or expenses which belong to another fund. For additional explanation, see REIMBURSEMENTS. The fund that reimburses should charge an expenditure or expense account. However, the fund that receives the reimbursement does not show the receipt as a revenue; instead its expenditure or expense is reduced. Examples include repayments to the general fund for SCAN or other utility charges when the general fund pays the entire bill and then allocates the costs to the other funds of the municipality; and payment by the water fund to the street fund for its portion of a shared employee's wages. Corrections of current period interfund errors are also treated as interfund reimbursements. Corrections of prior period interfund errors are charged or credited directly to unreserved fund balance. Examples include reimbursement to the parks fund for a bill paid that should have been paid out of the human services fund, return of cash to the general fund for a canceled warrant in the claims (agency) fund, correction of the allocation of tax revenues between the road fund and general fund.

4. Interfund Transfers. All other interfund transactions are transfers.

INTERGOVERNMENTAL REVENUES. Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

INTERGOVERNMENTAL SERVICE FUND. See INTERNAL SERVICE FUND.

INTERIM BORROWING. Short-term loans to be repaid from general revenues during the course of a fiscal year.

INTERNAL AUDIT. An appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.

INTERNAL CONTROL. Internal control comprises the plan of organization, and all of the coordinate methods and measures adopted within a government to accomplish its objectives.

Administrative control includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the government and is the starting point for establishing accounting control of transactions.

Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

a. Transactions are executed in accordance with management's general or specific authorization.

b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.

c. Access to assets is permitted only in accordance with management's authorization.

d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The foregoing definitions are not necessarily mutually exclusive because some of the procedures and records comprehended in accounting control may also be involved in administrative control. See Part 3, Chapter 1, for internal control requirements.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. See FLOW OF ECONOMIC RESOURCES MEASUREMENT FOCUS.

INVENTORY. A detailed list showing quantities, descriptions, and values of property and, frequently, units of measure and unit prices.

INVESTING ACTIVITIES. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments.

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT. One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

INVESTMENT TRUST FUNDS. Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.

INVESTMENTS. Assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments. The term does not include capital assets used in governmental operations.

JOINT VENTURE. A legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

JOINTLY GOVERNED ORGANIZATIONS. A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

JOURNAL. A book of original entry. Journals provide a chronological history of financial transactions and systematic means by which the transactions can be distributed and summarized for convenient posting to ledger accounts. See GENERAL JOURNAL, SPECIAL JOURNAL, and REGISTER.

JOURNAL VOUCHER. A voucher provided for the recording of certain transactions or information in place of or supplementary to the journals or registers. The journal voucher usually contains an entry or entries, explanations, references to documentary evidence supporting the entry or entries, and the signature or initials of one or more properly authorized officials.

JUDGMENT. An amount to be paid or collected by a government as the result of a court decision, including a condemnation award in payment for private property taken for public use.

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the post-closure period. Closure and post-closure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., post-closure maintenance and monitoring costs).

LAPSE. As applied to appropriations, this term denotes the automatic termination of an appropriation. Except for continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASEHOLD. The right to the use of real estate by virtue of a lease, usually for a specified term of years, for which consideration is paid.

LEASE-PURCHASE AGREEMENT. Contractual agreements which are termed "leases," but which in substance amount to purchase contracts.

LEDGER. A group of accounts in which are recorded the financial transactions of an entity. See GENERAL LEDGER and SUBSIDIARY LEDGER.

LEGAL DEBT LIMIT. See DEBT LIMIT.

LEGAL FINANCIAL OBLIGATION (LFO) (COURTS). A sum of money that is ordered by a superior court which may include restitution, crime victims' compensation, courts costs, county or interlocal drug funds, court appointed attorneys' fees, and costs of defense, fines, and any other obligation that is assessed as a result of a felony conviction.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LEVEL OF EFFORT REQUIREMENTS. A requirement that a grant recipient not use grant resources to reduce its own participation in a given program or activity.

LEVY. (Verb) To impose taxes, special assessments, or service charges for the support of governmental activities. (Noun) The total amount of taxes, special assessments, or service charges imposed by a government.

LIABILITIES. Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

LIEN DATE. For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises. Generally the lien date is specified in the relevant enabling legislation. Many governments use the term *lien date* even though a lien is not formally placed on the property at that date. Alternatively, the term *assessment date is* used to describe this same date.

LOCAL IMPROVEMENT. See SPECIAL ASSESSMENT.

LONG-TERM DEBT. Debt with a maturity of more than one year after the date of issuance.

MAINTENANCE. Activities that ensure that the right-of-way and each type of roadway, roadway structure and facility remain, as nearly as practical, in its original, as constructed condition or its subsequent improved condition.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/ expenses, assets, or liabilities (excluding extraordinary items) are at least ten percent of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental and enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A). A component of required supplementary information (RSI) used to introduce the basic financial statements and provide an analytical overview of the government's financial activities.

MATCHING REQUIREMENT. A requirement that a grant recipient contribute resources to a program that equal or exceed a predetermined percentage of amounts provided by the grantor.

MEASUREMENT FOCUS. The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. Basis of accounting according to which (a) revenues are recognized in the accounting period of which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

MODIFIED CASH BASIS. Modified cash basis is the cash basis of accounting adjusted for Washington State statute. RCW 35.33.151 and RCW 35A.33.150 require cities to keep their books open in order to pay December bills by the following January 20. RCW 36.40.200 requires counties to keep their books open until January 30 in order to pay December bills and charge the prior-year budget.

MULTI-PURPOSE GRANTS. Grants intended to finance activities reported in different functional categories in the government-wide statement of activities. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues.

MUNICIPAL BOND. A bond issued by a state or local government.

MUNICIPAL CORPORATION. A corporation established pursuant to state law for the purpose of providing governmental services and regulations for its inhabitants. A municipal corporation has defined boundaries and a population, and is usually organized with the consent of its residents. It usually has a seal and may sue and be sued. Cities and counties are examples of municipal corporations. See QUASI-MUNICIPAL CORPORATION and SPECIAL DISTRICT.

NEGOTIABLE CERTIFICATES OF DEPOSIT. Transferable certificates of deposit. Because they are transferable, negotiable certificates of deposit are subject to custodial credit risk.

NET BOOK VALUE. See BOOK VALUE.

NET COST. The difference between functional expenses and program revenues in the government-wide statement of activity.

NET GENERAL OBLIGATION DEBT. General obligation debt reduced by amounts being paid with other than general resources (e.g., general obligation debt associated with proprietary funds and special assessment debt), as well as amounts available in sinking funds for debt repayment.

NET REVENUES AVAILABLE FOR DEBT SERVICE. Proprietary fund gross operating revenues less operating and maintenance expenses but exclusive of depreciation and bond interest. “Net revenue available for debt service” as thus defined is used to compute “coverage” on revenue bond issues. See COVERAGE. Under the provisions of some revenue bond indentures, “net revenues available for debt service” for computation of revenue bond coverage must be computed on a cash basis rather than in conformity with GAAP.

NO-COMMITMENT SPECIAL ASSESSMENT DEBT. Special assessment debt that is secured solely by liens on assessed properties and resources provided from bond proceeds and is not backed by either the full faith and credit of the government or by any other type of general government commitment.

NOMINAL INTEREST RATE. The contractual interest rate shown on the face and in the body of a bond and representing the amount of interest to be paid, in contrast to the effective interest rate.

NON-CAPITAL FINANCING ACTIVITIES. Non-capital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments.

NON-EXCHANGE TRANSACTIONS. A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.

NON-FINANCIAL ASSETS. Assets that are expected to be used in the provision of goods or services rather than converted to cash. Financial statement preparers have the option of treating prepaid items and inventories of supplies as either a financial asset (consumption method) or as a non-financial asset (purchases method).

NONOPERATING EXPENSES. Proprietary fund expenses which are not directly related to the fund’s primary service activities.

NONOPERATING INCOME. See NONOPERATING REVENUES.

NONOPERATING PROPERTIES. Properties which are owned by an enterprise fund but which are not used in the provision of the fund’s primary service activities.

NONOPERATING REVENUES. Proprietary fund revenues which are incidental to, or by-products of, the fund's primary service activities.

NON-RECIPROCAL INTERFUND ACTIVITY. The internal counterpart to non-exchange transactions. This category includes both interfund transfers and interfund reimbursements.

NOTE PAYABLE. In general, an unconditional written promise signed by the maker to pay a certain sum in money on demand or at a fixed or determinable time either to the bearer or to the order of a person designated therein. See TEMPORARY LOANS.

NOTE RECEIVABLE. An unconditional written promise, signed by the maker, to pay a certain sum in money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. The note may be held by the reporting governmental unit as designated payee or by endorsement.

NOTES TO THE FINANCIAL STATEMENTS. The summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements of an entity in conformity with GAAP which are not included on the face of the basic financial statements themselves. The notes to the financial statements are an integral part of the basic financial statements.

NUMBER OF FUNDS PRINCIPLE. The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

OBJECT. As used in expenditure classification, this term applies to the type of item purchased or the service obtained (as distinguished from the results obtained from expenditures). Examples are personal services, contractual services, and materials and supplies. See ACTIVITY, CHARACTER CLASSIFICATION, and FUNCTION.

OBLIGATIONS. Amounts which a government may be required legally to meet out of its resources. They include not only actual liabilities but also unliquidated encumbrances.

OBSOLESCENCE. The decrease in the value of capital assets resulting from economic, social, technological, or legal changes.

ON-BEHALF PAYMENTS OF FRINGE BENEFITS AND SALARIES. Direct payments made by one entity (the paying entity or paying government) to a third-party recipient for the employees of another, legally separate entity (the employer entity or employer government). They include payments made by governmental entities on behalf of non-governmental entities and payments made by non-governmental entities on behalf of governmental entities, and may be made for volunteers as well as for paid employees of the employer entity.

OPERATING ACTIVITIES. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities.

OPERATING BUDGET. Plans of current expenditures and the proposed means of financing them. The annual operating budget (or, in the case of some state governments, the biennial operating budget) is the primary means by which most of the financing, acquisition, spending, and service delivery activities of a government are controlled. The use of annual operating budgets is usually required by law. Even where not required by law, however, annual operating budgets are essential to sound financial management and should be adopted by every government. See BUDGET.

OPERATING CAPACITY. The maximum performance, production, or services possible under the limiting conditions of existing physical plant, labor force, method of production, etc.

OPERATING EXPENSES. Proprietary fund expenses which are directly related to the fund's primary service activities.

OPERATING REVENUES AND EXPENSES. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition.

OPERATIONAL ACCOUNTABILITY. Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future.

ORGANIZATION UNIT CLASSIFICATION. Expenditure classification according to responsibility centers within a government's organization structure. Classification of expenditures by organization unit is essential to fixing stewardship responsibility for individual government resources.

ORIGINAL BUDGET. The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative

and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

OTHER FINANCING SOURCE. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

OTHER FINANCING USE. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

OTHER POST-EMPLOYMENT BENEFITS (OPEB). Post-employment benefits pro-vided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income. OPEB also include post-employment health care benefits provided through a public employee retirement system or pension plan. In addition to post-employment health care benefits (such as illness, dental, vision, and hearing), OPEB may include, for example, life insurance, disability income, tuition assistance, legal services, and other assistance programs.

OUTLAYS. Synonymous with EXPENDITURES. See CAPITAL OUTLAYS.

OVERHEAD. All costs other than direct costs. Specifically, those elements of cost necessary to produce an article or perform a service for which the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditure which do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, supervision, etc.

OVERLAPPING DEBT. The proportionate share of the debts of other local governments located wholly or in part within the limits of the reporting government which must be borne by property within each government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction ties within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction to total assessments receivable which will be used wholly or in part to pay off the debt. See DIRECT DEBT.

PASS-THROUGH RESOURCES. Resources that are received by a recipient government to transfer to or spend on behalf of a secondary recipient, government or otherwise, in accordance with legal or contractual provisions. See Part 3, Chapter 5, Section B for more information.

PAY-AS-YOU-GO BASIS. A term used to describe the financial policy of a government which finances all of its capital outlays from current revenues rather than by borrowing. A government which pays for some improvements from current revenues and others by borrowing is said to be on a partial or modified pay-as-you-go basis.

PAYMENT IN LIEU OF TAXES. A payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes.

PENALTY (COURTS). Monetary amount imposed for commitment of an infraction.

PENSION COST. A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

PENSION TREND DATA. Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employers' actual and annual required contributions to the plan.

PERFORMANCE AUDIT. Examinations intended to assess (1) the economy and efficiency of the audited entity's operations and (2) program effectiveness - the extent to which program objectives are being attained. Performance audits are sometimes also referred to as operational audits.

PERMANENT FUNDS. A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs-that is, for the benefit of the government or its citizenry.

PERPETUAL INVENTORY. A system whereby the inventory of units of property at any date may be obtained directly from the records without resorting to an actual physical count. A record is provided for each item or group of items to be inventoried and is so divided as to provide a running record of goods ordered, received, and withdrawn, and the balance on hand, in units and frequently also in value.

PERSPECTIVE DIFFERENCES. Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes.

PETTY CASH. A sum of money set aside on an imprest basis for the purpose of making change or paying small obligations for which the issuance of a formal voucher and warrant would be too expensive and time consuming. Petty cash accounts are sometimes referred to as petty cash "funds." However, they are not "funds" in the sense of governmental accounting fund types. Petty cash accounts should be reported as assets of the fund of ownership. See IMPREST CASH ACCOUNT.

POOLED ASSETS. Similar internal service fund assets that are grouped together for the purpose of setting a rate to charge users of the assets.

POST-AUDIT. An examination of financial transactions that have been consummated or those in various stages of completion at the end of an accounting period. See PRE-AUDIT.

POST-EMPLOYMENT HEALTHCARE BENEFITS. Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries.

POSTING. The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

PRE-AUDIT. An examination of financial transactions prior to their completion.

PREPAID ITEMS. An asset account reflecting charges entered in the accounts for benefits not yet received. Prepaid items differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operations. Examples of prepaid items are prepaid rent, prepaid interest, and unexpired insurance premiums. An example of a deferred charge is unamortized discounts on bonds sold.

PRESENT VALUE. The sum of future payments or receipts discounted to the current date at an appropriate rate of interest. Usually the present value can be considered equivalent to the cash price that would be paid for an item on delivery or the principal or face amount of an investment or debt exclusive of interest. However, when an item is purchased on credit and no interest rate is stated, or when an investment is bought or sold at a premium or discount, or when a debt is incurred and the cash proceeds are not the same as the face amount of the debt, computation of present value may be required.

PRESERVATION. A specialized maintenance activities that serve to extend the originally estimated life of each type of roadway, roadway structure, and facility but do not increase its traffic flow capacity and efficiency.

PRIMARY GOVERNMENT. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

PRIVATE-PURPOSE TRUST FUNDS. A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

PROGRAM. Group activities, operations or organizational units directed to attaining specific purposes or objectives.

PROGRAM LOAN. A loan made and collected as part of a governmental program that provides a direct benefit to individual constituents.

PROGRAM REVENUE. Revenues reported in the government-wide statement of activities that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

PUBLIC AUTHORITY. See AUTHORITY.

PUBLIC CORPORATION. See MUNICIPAL CORPORATION and QUASI-MUNICIPAL CORPORATION.

PUBLIC-ENTITY RISK POOL. A cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation, or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor.

PURCHASE ORDER. A document which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

PURCHASES METHOD. The method under which inventories are recorded as expenditures when acquired. At the end of the fiscal period, inventories on hand are recorded as a balance sheet asset with an offset to a reserved fund balance account.

PURPOSE RESTRICTIONS. Term used in connection with government-mandated and voluntary non-exchange transactions. Legal limitations that specify the purpose or purposes for which resources are required to be used.

QUALIFIED OPINION. A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

QUASI-EXTERNAL TRANSACTIONS. See INTERFUND TRANSACTIONS.

QUASI-MUNICIPAL CORPORATION. An agency established by the state primarily for the purpose of helping the state to carry out its functions. Some agencies ordinarily classified as quasi-municipal corporations have been granted the powers of municipal corporations by the state. See MUNICIPAL CORPORATION and SPECIAL DISTRICT.

RATE BASE. The value of utility property used in computing an authorized rate of return as authorized by law or a regulatory commission.

REALIZED GAINS AND LOSSES. The cumulative effect of appreciation and depreciation in the value of investments reported at fair value at the time those investments are sold.

REAPPROPRIATION. The inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. Reappropriation is common for encumbrances outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year.

REBATES. See ABATEMENT or REFUND.

RECEIPTS. Cash received.

RECIPROCAL INTERFUND ACTIVITY. The interfund counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used.

RECOUPMENT (COURTS). A recovery made from a convicted defendant for costs incurred by local government paid to third parties such as jurors, witnesses, interpreters, or attorneys.

RECOVERABLE EXPENDITURE. An expenditure made for or on behalf of another government, fund, or department, or for a private individual, firm, or corporation which will subsequently be recovered in cash or its equivalent. Such expenditures usually do not qualify for treatment as REIMBURSEMENTS.

REFUND. (Noun) The recovery of an item previously expensed or the repayment of an item previously recorded as revenue. Such refunds should be included in revenues, expenditures, or expenses of the current accounting period. (Verb) To pay back or allow credit for an amount because of an over-collection or because of the return of an object sold. Such charges or credits should be made to the account where the original transaction was recorded. (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.

REFUNDING BONDS. Bonds issued to retire bonds already outstanding. The refunding bonds may be sold for cash and outstanding bonds redeemed in cash, or the refunding bonds may be exchanged with holders of outstanding bonds. See ADVANCE REFUNDING BONDS.

REGISTER. A record for the consecutive entry of a certain class of events, documents, or transactions, with proper notation of all the required particulars. The form of registers varies from a one-column to a multi-columnar sheet of special design whereon the entries are distributed, summarized, and aggregated for convenient posting to the accounts. See JOURNAL.

REGISTERED WARRANT. A warrant which is registered by the paying officer for future payment due to a present lack of moneys and which is to be paid in the order of its registration. In some cases, such warrants are registered when issued; in others, when first presented to the paying officer by the holders. See WARRANT.

REGULATED ENTERPRISES. Enterprises for which (a) rates for regulated services or products are either established by, or subject to approval by an independent, third-party regulator (or the governing board itself if it is empowered by statute or contract to establish rates that bind customers), (b) the regulated rates are designed to recover the specific enterprise's costs of providing regulated services or products, and (c) it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. Regulated enterprises have the option of adopting certain specialized guidance issued by the FASB. In practice, the term "regulated enterprise" normally is applied only to enterprises that elect this option.

REIMBURSABLE EXPENDITURE. See RECOVERABLE EXPENDITURE.

REIMBURSEMENT GRANT. A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as *expenditure-driven grants.*

REIMBURSEMENTS. Reimbursements are transactions that reduce expenditures or expenses in the fund that is reimbursed. These transactions include refunds of expenditures, internal prorations of costs, and payments received for others' share of pooled purchases.

There is one major exception to this definition: Frequently, internal service funds are created to account for cost prorations and purchasing. In those funds, cost prorations and payments for pooled purchases are treated as revenues rather than reimbursements.

Reimbursements do not include recoveries for damages, whether from insurance or from private sources, contractual payments from the state or from other local governments, or impact payments, or shared costs of providing services.

Examples of transactions that qualify as reimbursements include: the distribution of utility and telephone bills among the departments and funds of a government, after one department has paid the bill; similar allocations of insurance premiums and payrolls among various departments and funds; jury duty pay and disability pay returned to an employer, and rebates of part of an insurance premium.

Examples of transactions that should not be accounted for as reimbursements include: state payments for public health services, for expert witnesses, or for police salaries while attending criminal justice training; federal/state/interlocal payments for the care and custody of prisoners and for election costs; interlocal payments for data processing services, police/sheriff services, street maintenance, etc.; private payments for street repairs, culvert installations, weed control, demolition of dangerous property, etc., or payments received on subleases. See also INTERFUND TRANSACTIONS.

RELATED ORGANIZATION. An organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board.

RELATED PARTY TRANSACTION. A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction. The term often is used in contrast to an *arm's-length transaction.*

RELATIVE ORDER OF LIQUIDITY. An order for presenting assets and liabilities on the statement of net assets based upon how readily they may be converted to cash or will require the use of cash.

RELEVANCE. The principle that there should be a close logical relationship between the financial information provided and the purpose for which it is needed. Information is relevant if it is capable of making a difference in a user's assessment of a problem, condition, or event.

REPURCHASE AGREEMENT. A generic term: for an agreement in which a government entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities or for different securities.

REQUIRED SUPPLEMENTARY INFORMATION (RSI). Statements, schedules, statistical data, or other information that has been determined necessary to supplement, although not required to be a part of, the basic statements.

REQUISITION. A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

RESERVE FOR UNCOLLECTED TAXES. This use of the term "reserve" is no longer acceptable under NCGA Statement 1. See DEFERRED REVENUES.

RESERVED FUND BALANCE. The portion of a governmental fund's net assets that is not available for appropriation.

RESTITUTION (COURTS). A monetary amount ordered paid to a third party for loss or damage.

RESTRICTED ASSETS. Moneys or other resources, the use of which is restricted by legal or contractual requirements. In governmental accounting, special treatments are applied to restricted assets arising out of revenue bond indentures in enterprise funds. These are sometimes also called restricted "funds" but such terminology is not preferred.

RESTRICTED NET ASSETS. A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

REVENUE ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of revenues to be received at a later date. The note is retired from the revenues to which it is related.

REVERSE REPURCHASE AGREEMENT. An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or for different securities.

REVOLVING FUND. (1) An internal service fund. (2) An imprest account which is accounted for as an asset of a fund.

SANCTION (COURTS). A monetary amount imposed by the court for noncompliance, usually imposed on the attorney rather than the party. Not part of a judgment.

SECURITIES. Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments. See INVESTMENTS.

SECURITIES LENDING TRANSACTIONS. Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral-which may be cash, securities, or letters of credit-and simultaneously agree to return the collateral for the same securities in the future.

SEGMENT. An identifiable activity (or grouping of activities) required to be accounted for separately which is reported as or within an enterprise fund or an other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified.

SERIAL BONDS. Bonds whose principal is repaid in periodic installments over the life of the issue.

SHARED TAXES. See SHARED REVENUES.

SHORT-TERM DEBT. Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes contracts and accounts payable, bond anticipation notes, and interim warrants.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1984 (as amended) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received to have one audit performed to meet the needs of all federal grantor agencies.

SINKING FUND. See DEBT SERVICE FUND.

SOURCE. The origin of revenues, not necessarily the payer.

SPECIAL ASSESSMENT. A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

SPECIAL ASSESSMENT BONDS. Bonds payable from the proceeds of special assessments. These bonds are payable only from the collections of special assessments, and occur in Local Improvement Districts (LIDs) and Road Improvement Districts (RIDs).

SPECIAL ASSESSMENT LIENS RECEIVABLE. Claims which a government has upon properties until special assessments levied against them have been paid. The term normally applies to those delinquent special assessments for the collection of which legal action has been taken through the filing of claims.

SPECIAL ASSESSMENT ROLL. The official list showing the amount of special assessments levied against each property presumed to be benefited by an improvement or service.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single governmental function or a restricted number of related functions. Special districts usually have the

power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, school districts, transit authorities, port authorities, public utility districts, and irrigation districts.

SPECIAL ITEMS. Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

SPECIAL JOURNAL. A journal containing all entries of a particular type. Examples include cash receipts journals, cash disbursement journals, purchases journals, etc. See JOURNAL and GENERAL JOURNAL.

SPECIAL REVENUE FUND. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

SPECIAL TERMINATION BENEFITS. Benefits offered for a short period of time to employees in connection with their termination of employment. Special termination benefits serve as an inducement to take early retirement, and often are used to help alleviate near-term budgetary problems.

SPENDING MEASUREMENT FOCUS. See FLOW OF CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS.

STANDARD COSTING. Method of estimating the historical cost of a capital asset by establishing the average cost of obtaining the same or a similar asset at the time of acquisition.

STATE-COLLECTED LOCALLY SHARED TAX. See SHARED REVENUES.

STATEMENTS. See BASIC FINANCIAL STATEMENTS.

SUBFUNCTION. A grouping of related activities within a particular governmental function. For example, “police” is a sub-function of the function “public safety.”

SUBOBJECT. The seventh digit of all BARS account numbers. The number assigned to identify revenues and expenditures/expenses according to the character and the type of items purchased/sold or services obtained/rendered.

SUBRECIPIENT. An entity that is a secondary or ultimate recipient of federal (grantor) financial assistance. These federal funds are distributed, under contract, by a state or local government (grantee) to the secondary recipient and are used by it in order to carry out federal assistance programs. (These funds are not to be confused with pass-through resources received as an agency that are forwarded to a provider of services.) See PASS-THROUGH RESOURCES.

SUBSIDIARY ACCOUNT. One of a group of related accounts supporting in detail the debit and credit summaries recorded in a control account (e.g., the individual property taxpayers’ accounts for the taxes receivable control account in the general ledger). See CONTROL ACCOUNT.

SUBSIDIARY LEDGER. A group of subsidiary accounts, the sum of the balances of which should equal the balance of the related control account. See GENERAL LEDGER and SUBSIDIARY ACCOUNT.

SUPPLEMENTARY INFORMATION. Financial information presented together with basic financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is mandated by the GASB it is referred to as *required supplementary information (RSI).*

SUPPORTING SCHEDULES. Financial presentations that: (1) demonstrate compliance with finance-related legal and contractual provisions; (2) present information spread throughout the basic financial statements that can be brought together and shown in greater detail (e.g., schedule of taxes receivable); (3) present greater detail for information reported in the basic financial statements (e.g., detail of revenues and expenditures by element and object); and (4) present information not disclosed in GAAP basic financial statements (e.g., operation of cash).

SUSCEPTIBLE TO ACCRUAL. Revenues that are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

TAP FEES. Fees charged to join or to extend an existing utility system. Also referred to as *system development fees* or *connection fees.*

TAX ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

TAXES. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those who pay, for example, sewer service charges.

TEMPORARY ACCOUNTS. Accounts that close to net assets at the end of an accounting period (e.g., revenues and expenses).

TEMPORARY LOANS. Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable or warrants payable. They may be unsecured or secured by specific revenues to be collected.

TEN PERCENT CRITERION. The first of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. For governmental funds, this test is applied to the total assets, liabilities, revenues, and expenditures of all governmental funds. For enterprise funds, this test is applied to the total assets, liabilities, revenues, and expenses of all enterprise funds. The test need be met for only one of these four items.

TIMELINESS. The principle that financial statements must be issued soon enough after the reported events to affect decisions.

TIMING DIFFERENCES. Differences between the budgetary basis of accounting and GAAP that occur when the period used for budgeting differs from the period used for GAAP reporting (e.g., a special revenue fund that uses a grant-year budget rather than a fiscal-year budget).

TRADE DISCOUNT. An allowance, usually varying in percentage with the volume of transactions, made to those engaged in certain businesses and allowable without respect to the time when the account is paid. These discounts are commonly considered a reduction of the sales or purchase price and not earnings. The term is not to be confused with CASH DISCOUNT.

TRANSFER VOUCHER. A voucher authorizing transfers of cash or other resources between funds.

TRANSFERS. See INTERFUND TRANSACTIONS.

TRIAL BALANCE. A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or their net balance agrees with a control account, the ledger from which the figures are taken is said to be “in balance.”

UNALLOCATED DEPRECIATION. Depreciation not reported as a direct expense of a functional category in the government-wide statement of activities.

UNCLASSIFIED. Any operation which uses a modified accrual or cash (single-entry) basis of accounting and therefore does not record depreciation or other expenses. Such operations should be accounted for in the general fund or in special revenue funds.

UNDESIGNATED UNRESERVED FUND BALANCE. Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

UNEARNED INCOME. See DEFERRED CREDITS.

UNEARNED REVENUE. A type of deferred revenue account used in connection with resources that have not yet been earned.

UNIT COST. A term used in cost accounting to denote the cost of producing a unit of product or rendering a unit of service; for example, the cost of treating and purifying 1,000 gallons of sewage.

UNQUALIFIED OPINION. An auditor's opinion, which states that the basic financial statements of a specified entity are fairly presented in conformity with GAAP, applied on a basis consistent with the prior year.

UNREALIZED GAINS AND LOSSES. Cumulative change in the market value of investments prior to their disposition.

UNRESTRICTED NET ASSETS. That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

UTILITY FUND. See ENTERPRISE FUND.

VOLUNTARY NONEXCHANGE TRANSACTIONS. Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (e.g., certain grants and private donations).

VOTING MAJORITY. A situation in which the number of the primary government's appointees to a component unit's board is sufficient to control decisions of the component unit.

VOUCHER. A written document which evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

VOUCHER SYSTEM. A system which calls for the preparation of vouchers for transactions involving payments and for the recording of such vouchers in a special book of original entry, known as a voucher register, in the order in which payment is approved.

VOUCHERS PAYABLE. Liabilities for goods and services evidenced by vouchers which have been pre-audited and approved for payment but which have not been paid.

WARRANT. An order drawn by the legislative body or an officer of a government upon its treasurer directing the latter to pay a specified amount to the person named or to the bearer. It may be payable upon demand, in which case it usually circulates the same as a bank check; or it may be payable only out of certain revenues when and if received, in which case it does not circulate as freely. See REGISTERED WARRANT.

WARRANTS PAYABLE. The amount of warrants outstanding and unpaid.

WASTING ASSETS. Mines, timberlands, quarries, oil fields, and similar assets, which diminish in value by the removal of their contents.

WORK IN PROCESS. The cost of partially completed products manufactured or processed, such as a partially completed printing job. Sometimes referred to as “work in progress.” See CONSTRUCTION IN PROGRESS.

YELLOW BOOK. A non-technical term commonly used to describe the General Accounting Office's publication *Government Auditing Standards*.

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